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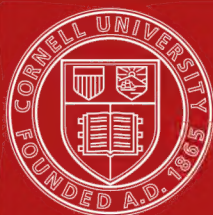
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GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY

HEARINGS

BEFORE THE

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
OF THE HOUSE OF REPRESENTATIVES

SIXTY-FIFTH CONGRESS

THIRD SESSION

ON

H. R. 13324 *

JANUARY 2, 3, 4, 7, 8, 1919

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GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Thursday, January 2, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims chairman) presiding.

STATEMENT OF MR. WILLIAM B. COLVER, CHAIRMAN FEDERAL TRADE COMMISSION—Resumed.

The CHAIRMAN. The committee will please come to order. Mr. Colver, you can take up your line of testimony and proceed in your own way for the present and make any additional statement you desire to make until you are interrogated by members of the committee.

NUMBER OF CONTROLLED AND PARTLY CONTROLLED COMPANIES.

Mr. COLVER. Mr. Chairman and gentlemen of the committee, we had spoken of the very great extent to which the process had gone of bringing together in a relatively small group the control not only of the meat-packing business but of related and unrelated businesses. That was a sort of general statement. Specifically, I should like to say now that the number of companies which the Federal Trade Commission's investigation has shown to be subsidiary to or affiliated with the five large packers is ready to be shown this morning. The statement is taken as approximate and subject to slight revision; approximate in that the Federal Trade Commission does not pretend to say that it has discovered all the concerns or companies or business enterprises which are controlled either by total ownership or partial ownership, or contract for marketing, or taking the entire product of a company or otherwise.

We do not say we have found them all. The number known to be controlled by one or more of the packers I will show you when I come to a table which I am about to read; then the number in which one or more of the packers have a minority interest; and finally the number of companies in which they are interested, but in which the extent of their interest has not been ascertained. There are 665 companies that are controlled, and of those 125 are trade-name companies; that is, companies either not having any corporate existence, or companies legally organized but not engaged in active business, although their names are used as trade names. The number of companies in which one or more of these five large packing concerns—that is to say, Armour, Swift, Morris, Cudahy, and Wilson—have a controlling interest is, as I say, 665. Of those, 540 are active companies and 125 represent trade names. A minority interest is held by one or more of the five packing concerns we are speaking of with respect to 35 companies, and there is an interest, the extent of which has not been ascertained by the commission, to the number of 50, which brings the total of companies up to 750.

I had expected to have and hope to have before the hearing this morning is over a tabulation showing what these commodities are and how far they are divorced—not divorced; quite the contrary of divorced—but how far they are from relation to the meat-packing business. This list I hope to have here, as I say, before we close this morning, and until it comes I will not try to say from memory how many of those commodities there are nor will I try now to give a list from memory.

The CHAIRMAN. You can put it in as a part of your hearing.

POWER TO CONTROL WHOLESALE AND RETAIL GROCERY TRADE.

Mr. COLVER. It is being written and as soon as it comes in I will put it in the record. I am sorry that list is not here for the reason it had been thought it would be interesting this morning, and perhaps this is the proper place in the record to bring it to the attention of the committee and to show them definitely what we mean when we speak of the bringing together of related and unrelated commodities in single or narrow control or in a few hands. A study of that list by the committee will show, I think, what we mean when we say that a very great, in fact two very great nation-wide industries of the country are actually threatened as to their existence by this present tendency. I speak of the canning industry and of the wholesale grocery industry.

I may say that since I said before the committee the other day that if the present tendency were continued the wholesale grocery would disappear as an independently operated business in this country in five or six years and that the retail groceries, as such, that is as independently operated concerns, would just about be due to disappear in 10 or 12 years—I do not like to quote things where I can not give the name of my authority, but in this case I am going to speak of a letter which was written me with the request that the writer's name be not used. The letter is from an executive officer in a very large or relatively large, we will say, chain grocery store concern, and he called attention to the statement which has been made before this committee by myself that the retail grocery would tend to disappear under the present tendency within 10 or 12 years, and he said that that was not only absolutely true but that these concerns had now the power and the facilities for doing in 10 days at any time that they might so desire what we had said might be done in 10 years and where we said that the present line of progress indicated that it would come to pass in 10 years. We have received many letters—

The CHAIRMAN. Mr. Colver, may I interrupt you right there? Is it your purpose to state somewhere in your hearing the reason why you make that statement and what the evidence or the facts are by which you arrive at such a conclusion?

Mr. COLVER. Yes.

The CHAIRMAN. I do not ask you to do it now.

Mr. COLVER. The opinion is based upon two things by the commission, broadly speaking. The first is that in the tracing of the operations of the meat packers, both the big packers and the small, independent packers, the commission found a very rapid increase in the number of commodities that were being handled through the branch houses of the packers.

Attention was first drawn to that directly because as a part of this food investigation undertaken at the direction of the President and of Congress and of which the meat-packing industry investigation was only a part, the subject of the canning industry, both canned vegetables treated separately and canned fish, was carried forward as separate parts of the general investigation, and without any reference at that time, or without any intercommunication, perhaps, between the men who were investigating the meat-packing industry and the men who were investigating vegetable canning and the fish-canning industry.

As to the vegetable canning and salmon canning, it was very soon found that the packers, the five great packers, or some of them, were extending very rapidly into those two industries. That attracted attention to their extension into fields which related to meat substitutes, food products in general, and then later led us on to find that they deal in such unrelated things as coal, for instance.

To answer more directly your question, then, finding that this widening of the sphere of influence, first having had our attention attracted to it, then we observed the rapidity with which it was going on and the extent to which it was going on, until, as I say, it was summarized in the finding that some 750 different companies have been either, with respect to 665, actually controlled, or with respect to the whole 750 either controlled or steps being taken which in the cases of the 665 have led to control, and we found that was going on very rapidly.

The CHAIRMAN. Do I understand that those 750 companies are not strictly meat-packing industries?

Mr. COLVER. Oh, no; very many of them are not. Then, following that, we come to the second endeavor on the part of the commission upon which we based the opinion that the wholesale grocery business is threatened with annihilation or absorption. This was the sending of a questionnaire to the wholesale grocers of the country to get their composite opinion; the best judgment of that industry on the present tendency, and get their view of the situation with respect to the extension of the packer activity into their fields. That brought to us a mass of information and expert business judgment and opinion. I am sorry that this morning I have not that boiled down in sufficiently concentrated form to have it really useful for the record. We can do that. We tried to be ready with it this morning, but we have not succeeded in doing it. I might give you—and I take this paper at random and it is not selected—

The CHAIRMAN (interposing). It is your purpose, as I understand it, to file and make a part of your hearing this compilation that you are having prepared?

Mr. COLVER. Yes, Mr. Chairman.

(This material was subsequently furnished, and appears on p. 68.)

I say I take this digest of one of our questionnaires with replies at random and I shall not use all of it, but I want to give you an idea as to how one concern viewed this thing.

Views of R. C. Williams & Co.

R. C. Williams & Co., importers, exporters, and manufacturers of food products, of New York City, were sent the questionnaire by the Federal Trade Commission with respect to the competition of the big packers in the wholesale grocery business. These questions were then

submitted by the company to their representatives in various parts of the country, their salesmen and their representatives, to the number, I believe, of 28, scattered all the way from Lewiston, Me., to New Jersey, Connecticut, New York City, South Carolina, Scranton, Pa.—I am giving you this to show you the scope of this company—and Birmingham, Ala. If it is desirable, this can go in the record in detail, but I will not take your time now with reading it all, but will just give you the reply that was made to the question—

To what extent has the wholesale grocery business been cut into by the big packers in the locality in which you travel?

That is, these are questions addressed to the salesmen to report as to their territory, and, as I say, this one company was able to give us a general survey that extended from Maine to Alabama, and west as far as Scranton, Pa. One man reports "50 per cent at least—constantly growing—wholesale grocers will be out in 20 years."

Another man says every week they have some new special which opens up business for their other foods.

Another says 15 to 20 per cent; not including butter, eggs, meat, etc.

Another says they cut heavily, particularly in canned goods and cereals.

Another says, naming the customer, William H. Jordan, of Yonkers, formerly bought large amount from us; they now buy a full line from Armour, right down to coffee.

Another estimates the cut at 10 per cent and that is at Mechanicsburg, Pa.

Another one estimates the cut in the wholesale grocery business by the packers at 20 per cent.

Another one says 50 per cent on canned goods and other items.

Another one says 25 per cent of the total business.

Another one says not less than 25 per cent.

Another one says 25 per cent.

Another one says 25 per cent.

Another one, Brooklyn, N. Y., says 10 to 15 per cent.

Another one says: Have taken practically the whole business in canned meats and cereals.

Another one says fully 25 per cent.

Another one says fully 25 per cent.

Another one says inroads big—selling everything but sugar and flour and a few other non-profitable items.

And this answer, which I had not seen before, suggests something that perhaps we can go back to briefly later and show generally the direction which this invasion or this inroad has taken. I think it will be susceptible of proof to say that the inroads which have been made in those items which the wholesale grocers handle, generally speaking, that yield the greatest profit in the handling, and that the least profitable things have been left to the wholesale grocers to go on with, so that the percentage of the volume of business that has been taken does not represent the percentage of the prosperity of the industry that has been taken.

Another one of these men said 15 per cent in canned goods.

Another one says 10 per cent of total business.

Another one says canned goods, 30 per cent.

Another one, New York City, says, let the packers continue to combine as now—and that does not mean combination among them—

selves, it means combination of these various commodities in their control—let the packers continue to combine as now, and in a few years there will be no jobbers.

Another one says in meat, pickles, cereals, it is at least 50 per cent.

Another one says about one-eighth of the business.

Another one says 25 per cent, including dairy products.

The CHAIRMAN. These gentlemen reporting now are the salesmen of that one concern?

Mr. COLVER. These are the representatives, as I understand it, of one concern which I picked up out of my pile of papers here, and which I had not read myself until I picked it up here.

The same men answered the question:

What is the explanation of these inroads by the big packers?

And the answers I will read briefly.

One says branch houses in all districts; can supply trade on short notice.

Another one says prices on some of the canned goods, rice, cheese, etc., are close to our cost. They plan to first secure the business, then increase the profits, which they must and will do. The existence of their plants in all cities and their delivery service is a factor.

Another says local houses—meaning the packers' ownership of local houses—and delivery service; lower prices.

Another one says principally price.

Another one says cut prices with the eventual object of killing all competition.

Another one says packers claim to handle additional articles at no extra expense, thereby selling cheaper. So they add all the overhead onto the cost of distributing meat where they are limited to the 9 per cent.

Another says branch houses sell and hold goods, delivering as wanted for several months canned goods, cheese, etc.

Mr. ESCH. Is that 9 per cent the limit fixed by the Food Administration?

Mr. COLVER. I assume that is what they are referring to.

Mr. HAMILTON. What do you mean by the limit fixed by the Food Administration at 9 per cent—9 per cent profit, or what?

Mr. COLVER. The regulation of the Food Administration was a limit of 9 per cent net profit on the investment employed in the sale of fresh meat—not only fresh meat but all meats and primary live stock—by-products, including wool and butterine, car lines, and cold storage.

The CHAIRMAN. And the overhead was all charged on the meat so as to enable them to sell the other commodities without overhead charges being added?

Mr. COLVER. That is what this man says. I do not adopt that statement. I am simply reading what this man says. At some other time we can make, if it is desired, a statement concerning that rather more in detail.

The CHAIRMAN. I just wanted to know what this statement itself was.

Mr. COLVER. Yes.

Another one gives as his reason combination sales as the advantage that the packer has.

Another one says impressing the retailers that they are manufacturers and packers and so giving them the opportunities of direct buying, indicating that there is a saving to deal with the packers rather than to deal with the wholesale grocers.

Another one says—let us see who he is, N. H. Suirberian, 56 Hudson Street, New York City—Government having controlled profits on meats and their by-products, the packers are entering fields of approximately 9,000 different articles, most of which are not under regulation.

I do not adopt that figure of 9,000, it is a very large figure.

Another says the roads are full of their specialty men. They bring their goods to their branch houses without expense by loading them into their meat cars with no extra freight being charged.

The CHAIRMAN. That is, in the freight cars which the packers themselves own.

Mr. COLVER. Yes; the cars that are owned by the packers, and also the advantage that might lie in being able, in handling a very great number of products, to fill out a car and get a carload rate on a mixed lot of freight, giving somewhat of a freight advantage; a very definite freight advantage. This salesman's statement of that situation, however, I do not adopt.

The CHAIRMAN. You can get in that way a carload rate on less than a carload quantity?

Mr. COLVER. Yes. Without reading it, unless the committee wishes it to be read, I should like to include here a statement printed in the New York Journal of Commerce September 9, 1918, in the grocery section of that paper, having to do with this subject.

The CHAIRMAN. All right; you may include it as a part of your hearing without reading it, if you so desire, or you can read it.

Mr. RAYBURN. Are you going to read it?

Mr. COLVER. Do you want me to?

Mr. RAYBURN. Yes; I would like to have you.

Mr. COLVER (reading):

[From New York Journal of Commerce, Sept. 9, 1918—Grocery section.]

HOW THE PACKERS MENACE THE GROCER—MANY UNFAIR ADVANTAGES LEAD TO MONOPOLY—PRIVATELY OWNED CARS HAVE PREFERENTIAL TREATMENT ON RAILROADS, SAYS FORT SMITH JOBBER—PICKING THE PROFITABLE ITEMS FOR EXPLOITATION.

Reports from several of the wholesale grocers' associations indicate that the recent request of the Federal Trade Commission, that secretaries canvass the trade opinion of their members and ascertain how the wholesalers feel about the competition of the large packing houses, is finding no reluctance whatever on the part of the grocers to giving their views. Hundreds of the replies are being canvassed by the secretaries at present, and they generally reflect much animosity toward the policies of the packers for enlarging the scope of their operations.

In a letter to the Journal of Commerce, the Reynolds-Davis Grocery Co., of Fort Smith, Ark., one of the largest houses of the Southwest, expresses its views of the influence of packers in the grocery trade as follows:

"The following packers are selling goods other than meats and lards in our territory: Swift & Co., Armour & Co., Morris & Co., Wilson & Co., the Dold Packing Co., and Cudahy Packing Co. This last concern distributes its goods through the wholesale grocer.

"At least four of these packers are handling canned fruits, canned vegetables, canned fish, rolled oats, rice, canned sirup, evaporated fruits, canned milk, dried beans, tomato catsup, and other things which I fail to remember at this moment.

The advices of our salesmen are almost daily of further inroads of the packer.

"In dollars and cents we are not able to make an accurate estimate of the volume of the packer's business or to what extent the wholesale grocer has been curtailed, but if the present conditions continue for the next five years in the same ratio as the last five years, the wholesale grocer will be left only sugar and flour.

"Should the packer contend that he is an economic necessity, in the distribution of foods other than packing-house products, it is well to remember that thus far he has taken on only those things which are the most profitable and the easiest handled.

"It is well to remember that the average wholesale grocery business is composed of at least 35 per cent of sugar and flour and it must be borne in mind that the average profit of this 35 per cent of a grocer's business is anywhere from 2 to 5 per cent beneath his average cost of doing business, and if you take away from the wholesale grocer the necessity for always being prepared to serve in these two daily essentials, then it might alter his margins of profit and reflect upon his selling prices.

"The packer sells for cash and collects his accounts each Monday morning. It is his custom to allow to each customer a given line of credit which must not be passed. On the other hand, the wholesale grocer becomes the banker in merchandise for his retail customer. Courtesies, credits, and accommodations are extended, and in all probability the average retail grocer is indebted to his wholesale grocer to the extent of such an amount as will be the half of his net worth.

"The biggest and most vital unfair asset which the packer has is his privately owned car or leased car with its low carload minimum. Fresh meats take 24,000 pounds, cured beef, pork, mutton, lard, and lard substitutes, 30,000 pounds; and practically all the other items that enter into the wholesale grocery business from 40,000 to 60,000. With this low minimum weight and with the privately owned car the packer is permitted to ship anything and everything that he may see fit, with the proper rate of freight attached, and in this car.

"Meat and packing-house products are 'red-ball' cars; they move swiftly and in this way the packer gets quick delivery on all of the goods which he ships.

"The wholesale grocers' shipments must take their usual course of shipment in whatsoever car they may be placed, with transfers at transfer stations and with delays that are hurtful to business. The packer should enjoy no privileges not allowed to other shippers, and so long as he has a privately owned car with special privileges he has an unfair advantage over all other shippers.

"A closer investigation should be made into the packer's method of doing business, and especially those packers who do a meat and lard business and a wholesale grocery business also. It should be ascertained whether or not the proper cost of doing business is allocated against each and every item or department.

"Should the packer succeed in obtaining such a control of distribution of foods as would eliminate the wholesale grocer, it follows as the night the day that the independent manufacturers whose goods are now bought and sold by the wholesale grocer would at the same time pass out of existence or be absorbed by the monopolistic packer.

"It further follows, as the sparks fly upward, that the wholesale grocer who is selling agent of the independent manufacturer would wither away with the independent manufacturer, and with the passing of the wholesale grocer the retail selling of these very same goods would, in the natural order of sequence and in the chain of distribution, pass from the retailer to the packers' retail stores which are being established at this time.

"So the growth of the packer in the distribution of foods jeopardizes the existence of the independent manufacturer, of the wholesale grocer, of the retailer, and finally, when things are centered in the hands of one control such as the packer, the foods would naturally be enhanced in price to the detriment of the consumer. The packer would have absolute power, and absolute power has always been abused."

SOUTHERN WHOLESALE GROCERS' ASSOCIATION.

The Southern Wholesale Grocers' Association, in August, 1918, considered this whole matter, and here is a resolution which was adopted by that association.

The CHAIRMAN. What is the date of it?

Mr. COLVER. August, 1918:

Whereas it has been the custom of the wholesale grocers to devote their capital, time, and energy to the distribution of foodstuffs without interfering in any marked degree with the industries of the manufacturers; and

Whereas for the past few years the packing industry of this country has shown a determination to gradually and persistently enter the various lines of the wholesale-grocery trade, both in a manufacturing and in a jobbing way; and

Whereas with the assistance of various special privileges and facilities accorded to these industries, with their enormous capitalization and Nation-wide interests in various enterprises, this promises to grow into the control of packing, manufacture, and jobbing in foodstuffs in gigantic proportions, and giving them the opportunity to control the foodstuffs of the country without, in our opinion, in any manner lowering the costs to the ultimate consumer, contrary not only to the established channels of trade, but contrary to the public interests and to our national policy: Therefore be it

Resolved, That the association meet this issue in every legal and proper manner so that distribution by manufacturers and jobbers be maintained under our present fair and equitable laws of competition, and that the life of these many enterprises of independent manufacturers and jobbers be preserved.

Mr. HAMILTON. Mr. Chairman, may I ask a question right at this point?

The CHAIRMAN. Certainly.

Mr. HAMILTON. Mr. Colver, in reference to the Southern Wholesale Grocers' Association, how much territory do they cover?

Mr. COLVER. Generally speaking, that section of the South beginning with Virginia and extending west to the Mississippi River.

The CHAIRMAN. East of the Mississippi River and south of the Ohio and the Potomac Rivers?

Mr. COLVER. Yes.

Mr. HAMILTON. That association comprises, as its name implies, I suppose, all the wholesale grocers in that area?

Mr. COLVER. I would say substantially all. I venture to say that the percentage of representation is at least 90 per cent.

Mr. HAMILTON. Do they compete among themselves?

Mr. COLVER. I think they do. I am sure that we have found in all parts of the country that there is pretty severe competition in the wholesale-grocery business.

Mr. HAMILTON. Is there not danger that an association like that might have something in the nature of a gentlemen's agreement as to prices?

Mr. COLVER. There is danger there, of course.

Mr. HAMILTON. Have you investigated to find out to what extent there is an understanding among them as to the prices they shall charge the retail grocer and consequently the consumer?

Mr. COLVER. In 1907 or 1908 I believe this association, or its predecessor, was enjoined by a Federal district court from price agreements or gentlemen's agreements or understandings, and since that time, or at least in very recent times, a pretty careful survey by the Federal Trade Commission has not found that condition to exist; and it is our impression, at least, that since the action of the court in 1907 or 1908, that course of conduct has not been followed.

Mr. HAMILTON. And yet we have heard of cases where, notwithstanding injunction, the members of an association have followed prices fixed by the leaders in the association without having any written agreement to that effect, and human nature has certain tendencies. I was wondering whether those tendencies manifested

themselves among the wholesale grocers, or whether they were exempt from those frailties of human nature.

Mr. COLVER. I do not think they are exempt from the ordinary traits of human nature. I should not be surprised, and I think I would be somewhat charitable, if I found that the wholesale grocers' associations, which are sectional over the United States, and then the national association which covers all, were driven into dangerously close communion now because of the common peril that they all see. I think I would have some charity for their getting together.

Mr. HAMILTON. I was speaking now in a general way without any information as to this particular subject, simply taking into consideration human nature as you and I have had opportunity to observe it. We are considering here the packers who, as you say, combine, and I was wondering whether, for illustration, the Wholesale Grocers' Association might not have had the same temptation to combine, and whether they had yielded to that temptation. You would know about that, I suppose, better than any of us, and we are seeking information from you.

Mr. COLVER. Well, specifically with reference to this association, and with respect to the other wholesale grocers' associations, the commission does not know of the existence of either gentlemen's agreements or other price-fixing arrangements. We do not know that.

Mr. HAMILTON. Have you noticed great uniformity of prices?

Mr. COLVER. Yes.

Mr. HAMILTON. Would that be to your mind a suspicious circumstance?

Mr. COLVER. Yes.

Mr. HAMILTON. I will not pursue the inquiry any further now. You are seeking regulation of things, and very properly, and it all goes back to the consumer. The consumer pays the tax, and we want to try to take care of the consumer, whether he eats groceries or meats, or both; that is all.

Mr. BARKLEY. Have you been able to compare the uniformity of prices among wholesale grocers, to which you say attention has been directed, with the uniformity of prices existing among other branches of business in like articles; in other words is the uniformity any greater among the wholesale grocers than it is among retail grocers or druggists or clothing men, or anybody else?

Mr. COLVER. I do not think we have here anything so definite that it would be helpful to the committee on that subject.

Mr. STEPHENS. Mr. Colver, would it not be essential to the very life of the business that these prices approximately approach a uniformity, because if they do not, the competitor has got to meet the price, and it would only be a mere matter of time when they would all go out of business; that is, if they did not approach uniformity of prices?

Mr. COLVER. Of course.

Mr. STEPHENS. The competition would get to be so great that there would be no profit and they would all go out of business. They are all, of necessity, compelled to approach a uniformity of price in order to stay in the business?

Mr. COLVER. Yes.

Mr. SWEET. In other words, uniformity would be an evidence of a just price?

Mr. STEPHENS. Not necessarily so; but it strikes me it certainly would be a necessity to maintain the equilibrium.

Mr. COLVER. Mr. Hamilton's question suggests a thing that I might say now. Mr. Hamilton asked, when you find a uniformity of price, whether or not suspicion is aroused, and my answer is that it is a circumstance which attracts attention. Then there is another circumstance that attracts attention, and that is when you find an industry each member of which is maintaining at very large expense a selling force, keeping high-salaried men on the road, paying them salaries or commissions or both; when you find such extensive and well-organized selling organizations, that fact tends to relieve the mind of the suspicion that there is a very hard-and-fast price arrangement or division of territory or allotment of customers, because on the heels of a division of territory and allotment of customers and a price agreement, the efficiency of a sales organization is no longer necessary to be maintained at 100 per cent. So just as you find things that arouse your suspicion, it is oftentimes possible to apply other tests, and look for other activities, the presence or absence of which would increase your suspicion or tend to lull it.

Mr. HAMILTON. And yet a large association with considerable capital would presumably be able to maintain a well organized force to promote sales and to promote uniformity of prices. In short, the machinery is most perfect where there is the most money back of it, so that would coincide, rather, with uniformity of prices. It would tend to perpetuate the uniformity of prices; tend to raise a barrier which the consumer would find it difficult to overcome.

Mr. COLVER. If the association which you speak of, as an association, maintained a selling organization, then there would not be any question. Suspicion would become almost a conviction right there; but if the various and individual members of an association each maintain highly organized selling organizations, you are inclined to think there must be competition there, because, generally, there would be less reason for such individual organization.

Mr. HAMILTON. Let me interrupt you right there, Mr. Colver. Take, for instance, the subject under discussion, the packers. I suppose, without knowing anything about it, that they have highly paid experts in their employ, have they not?

Mr. COLVER. Yes.

Mr. HAMILTON. And they have perfected the machinery of distribution, perhaps, as thoroughly as any business in the country, and yet the argument which you are making, in your judgment, does not apply to them.

Mr. COLVER. Oh——

Mr. HAMILTON. Where there is uniformity of prices, and they are able, as you state the packers are doing, to maintain their own prices, and are able not only to maintain the prices of meat but are reaching out and controlling and maintaining prices of other commodities not allied with meats, and if this is being done, as you state, by these various instrumentalities controlled by the packers which they employ by reason of their very great capital; the same argument which you are able to make in relation to the packers applies to other in-

dustries, it seems to me. I have an open mind on the subject, but I want to get at the facts.

Mr. COLVER. I do not believe that the analogy is there. Let us see. If the Wholesale Grocers' Association were similar to the operations of these packing companies which we have been talking about, we would find that the members of the Wholesale Grocers' Association had taken on the wholesaling and distribution of hardware and of drugs and of boots and shoes.

Mr. HAMILTON. Well, I want to separate that for the purpose of this suggestion: You are complaining, and justly, it strikes me, against the monopoly of related and unrelated industries, but there may be a monopoly of the main industry, which may be as pernicious as the monopoly of unrelated industries. That is the point I am getting at.

PRINCIPLE OF FEDERAL LICENSE.

Mr. COLVER. Yes. We have directed your attention up to now very largely to the effect of the expansion and extension into these unrelated fields, and for this reason: There was before the committee a bill which proposes to regulate by license the business conduct of individuals and partnerships and concerns engaged in interstate commerce of meat packers, and that license was to contemplate the conduct of these concerns in the meat-packing business and their relation to other interstate business. Now, the point we were trying to make was that such license was not an improper interference with the individual business enterprise, with proper private business enterprise, and ingenuity and industry, because we were trying to say that that license would first reach and strike at the bringing together of unrelated things, which in itself was not in the public interest and not good for other lines of industry which had been invaded. We had also tried to show, and I think there is no question about it, that the meat-packing field and industry in and of itself furnishes a wide, ample field for the exercise of any reasonable ambition and industry and enterprise. As I said the other day, in answer, I think, to your own question, Mr. Hamilton, there is not the slightest objection to mere size, and the commission has not in mind and never has had in mind the size of a concern.

Mr. HAMILTON. No.

Mr. COLVER. There is no abhorrence with respect to a big company simply because it is big. Size is no crime. Size does not awaken the commission to any prejudice at all; but when size outgrows its field or leaves its own field and ramifies into other fields to the detriment of legitimate business in those other fields, then we say that not the size but the direction it takes is inimical to the public welfare, to legitimate business, to the general business health of the country. So we were trying to point out that the license control which is proposed here will be useful, and primarily useful, in a limitation to—you can not call it their legitimate field, because any legitimate business is, generally speaking, a legitimate business field for anybody; but limiting it to a reasonable field, a reasonable area or scope or sphere of influence or whatever you want to call it, that that is not a drastic thing or a radical thing or an unheard-of thing. This matter of Federal license—

Mr. HAMILTON (interposing). Just a second before you pass from that point. Mr. Colver, of course it is quite clear, I suppose, to most

of us that this bill, if it should become a law, will establish a precedent. That is clear; and we can accept that as a foundation proposition, can we not?

Mr. COLVER. Yes.

Mr. HAMILTON. Then, having established this precedent with reference to the packers, we can apply this rule of action to any other business which is offending in like manner, can we not?

Mr. COLVER. Yes.

Mr. HAMILTON. That would seem to be inevitable.

Mr. COLVER. Yes.

Mr. HAMILTON. And we could apply it to an industry which is not necessarily controlling many unrelated industries, could we not?

Mr. COLVER. Yes.

Mr. HAMILTON. Because, assuming we have the power, in exercising that power there is no place where we have to stop whenever an abuse has crept in or manifested itself among these producers. Therefore we could apply it to any large association which it would appear was unduly controlling a prime necessity.

Mr. COLVER. Yes; and yet that does not exactly reach, I think, the theory that the commission is bringing to you in support of this remedy. It is not the thought of the control in and of itself that the commission is calling your attention to. It is not that.

Mr. HAMILTON. You would have the right——

Mr. COLVER (interposing). Yes——

Mr. HAMILTON (continuing). To compel, and that means the power of life and death over an industry.

Mr. COLVER. You have the right.

Mr. HAMILTON. And you would have.

Mr. COLVER. Congress has the right.

Mr. HAMILTON. Precisely; and you would have by virtue of the law.

Mr. COLVER. Yes. You see the thought recurs here that this would be an entering wedge, and that this thing would be extended. For that reason it would seem to me it would be well to have the record here very clear as to why this licensing has been suggested in this case. I think there are only two principal reasons. Neither of them is control of the commodity. The two reasons are: First, the existence of unfair competition in an industry; not that there is a control; but a common practice of unfair competition in an industry would be one symptom that would seem to indicate such remedy as this license plan; and the second would be found when one industry was invading a dozen or twenty of other innocent unrelated industries.

Those two things are the only things I have tried to lay emphasis upon, and the only two things I think of now that would be—that is a pretty broad statement—the only two things I think of now that would indicate an exercise of this license remedy. This license theory is old. It is not new at all. It is a pretty good Roosevelt doctrine. In December, 1904, the first report of the Bureau of Corporations discussed it. The report dated December 19, 1904—report of the Bureau of Corporations—discussed the whole matter of control of corporations engaged in interstate commerce.

Mr. HAMILTON. That was what year?

Mr. COLVER. December, 1904.

Mr. ESCH. Is that a report of Herbert Knox Smith?

Mr. COLVER. No, sir; it is by James R. Garfield, and he suggests various methods or rather analyzes various methods which have been suggested for the control of interstate commerce, and he finally, by elimination, came to a distinct recommendation of the Federal license plan in interstate commerce.

It is curious and interesting that the contents of Commissioner Garfield's report was not known to any of the members of the Federal Trade Commission at the time that we arrived at practically the same conclusion. I think that perhaps Mr. Murdock knew of it generally, but he never suggested nor quoted it to us, nor was it considered until after our conclusion had been independently reached and until, indeed, I think, these hearings had been started here; and then, in reply to a question as to the novelty of this idea, I said, very innocently, that I thought it was perhaps somewhat novel but that I did not think it was at all radical. And then my attention was called to Mr. Garfield's report, which I read with a great deal of interest and profit; and it is curious that that report 14 years ago came out at exactly the same place we came out. I believe there is now pending before Congress and in the custody of this committee a bill to the same general effect by Mr. Steele, of Pennsylvania, and I think that some such authority as Senator Knox has been quoted in favor of this theory when he was Attorney General, all of which is very interesting and shows——

Mr. HAMILTON (interposing). In the revision of your statement, I would suggest that, if convenient, you incorporate those references so that we can have them.

Mr. COLVER. I would be very glad to do that.

The CHAIRMAN. There is a very important matter coming before the House this morning in reference to sending the revenue bill to conference, consequently it is time now for us to adjourn. Will it be convenient for you, Mr. Colver, to return here to-morrow at 10.30 and resume your statement?

Mr. COLVER. Yes; if that is agreeable I will be very glad to do that.

The CHAIRMAN. The committee then stands adjourned until to-morrow at 10.30, when we will be glad to have Mr. Colver again on the stand.

(Thereupon at 11.58 o'clock a. m. the committee adjourned to meet to-morrow, January 3, 1919, at 10.30 o'clock a. m.)

(The following are the extracts from annual reports of Hon. James R. Garfield, Commissioner of Corporations, above referred to, which are submitted as part of Mr. Colver's statement:)

EXTRACTS FROM ANNUAL REPORTS OF HON. JAMES R. GARFIELD, COMMISSIONER OF CORPORATIONS.

I. FROM ANNUAL REPORT FOR 1904.

FEDERAL FRANCHISE OR LICENSE SYSTEM FOR INTERSTATE COMMERCE.

The principal features of such a system would be:

(a) The granting of a Federal franchise or license to engage in interstate commerce.

(b) The imposition of all necessary requirements as to corporate organization and management as a condition precedent to the grant of such franchise or license.

(c) The requirement of such reports and returns as may be desired, as a condition of the retention of such franchise or license.

(d) The prohibition of all corporations and corporate agencies from engaging in interstate and foreign commerce without such Federal franchise or license.

(e) The full protection of the grantees of such franchise or license who obey the laws applicable thereto.

(f) The right to refuse or withdraw such franchise or license in case of violation of law, with appropriate right of judicial appeal to prevent the abuse of power by the administrative officer. [P. 45.]

* * * * *

I therefore beg to suggest that Congress be requested to consider the advisability of enacting a law for the legislative regulation of interstate and foreign commerce under a license or franchise, which in general should provide as follows:

(a) The granting of a Federal franchise or license to engage in interstate commerce.

(b) The imposition of all necessary requirements as to corporate organization and management as a condition precedent to the grant of such franchise or license.

(c) The requirement of such reports and returns as may be desired as a condition of the retention of such franchise or license.

(d) The prohibition of all corporations and corporate agencies from engaging in interstate and foreign commerce without such Federal franchise or license.

(e) The full protection of the grantees of such franchise or license who obey the laws applicable thereto.

(f) The right to refuse or withdraw such franchise or license in case of violation of law, with appropriate right of judicial appeal to prevent abuse of power by the administrative officer.

This bureau, under the direction of the Secretary of Commerce and Labor, affords the appropriate machinery for the administration of such a law.

It is fully appreciated that this recommendation is not new, but has been the subject of most serious and exhaustive consideration by public officials and commissions, as well as private persons technically well qualified to speak. The Industrial Commission, in its final report on this subject, recommended, among other things, the adoption of a plan quite similar to this. It is neither necessary nor wise to attempt, in this report, to elaborate the details of such an act; but the bureau has upon its files abundant and, in many particulars, exhaustive information which would be immediately available for the use of Congress or any committee thereof which might have under consideration such a measure. [Pp. 47-48.]

APPENDIX B.

[Pp. 56-60.]

FEDERAL FRANCHISE SYSTEM FOR INTERSTATE COMMERCE—CONSIDERATION OF DETAILS.

It is not desired to definitely put forward in this appendix any specific detailed outline of such system as being the particular means of carrying out the general conclusions set forth in the body of the report. The particular object is rather to develop as far as possible the legal questions that will be raised, in general, by such a system, and it is obvious that that purpose can best be obtained by outlining in a tentative way the possible features of such system and observing the legal propositions that would be involved therein.

I. FUNDAMENTAL PURPOSE OF THE ACT.

Briefly, its object would be to remedy, so far as is possible by legislation, those corporate evils the existence of which this bureau is considering. A full statement in detail of those evils is not necessary here, and the matter has already been treated in some detail in the body of this report.

In general, however, it is sufficient to maintain the distinction established in the case of *Cooley v. Board of Port Wardens* (12 Howard, 299), namely, that while Congress has complete control over interstate commerce it practically exercises this power only over its national features, leaving local matters to

the regulation of the States. Applying this rule to corporate business, the system in question should deal with the following features of that business:

(a) Where the organization or management of the corporation affects persons or interests in more than one State, as, for instance, in the furnishing of public-service facilities or necessities between two or more States; in the offering of securities to the general public; in the seeking of credit or loans from the general public; in affecting labor conditions in two or more States; in affecting prices of goods or raw materials in two or more States, and in the controlling or coordinating, by merger or otherwise, of business in different States.

(b) Where such corporate conditions affect strictly the governmental agencies of the United States and the operation thereof.

(c) Where such conditions affect business wholly outside of State control—for instance, navigation and foreign commerce.

(d) Where the existing State incorporation laws are essentially an abuse of the comity of States and have, as their primary object, the chartering of corporations whose two chief characteristics shall be (1) the power to do business in other States and (2) the duty to pay taxes to the chartering State.

(e) Where the legislative power of a given State has been so far misused under the present tendency toward lax corporation laws that it has resulted in a distinct degeneration in standards of commercial ethics and wholly insufficient protection is given thereby to large classes of its citizens.

(f) Also within these limits such a Federal law should endeavor to correct, as far as may be, those peculiar evils inherent in the corporate form as such, and referred to specifically in the body of this report; for instance, lack of personal responsibility of managers, improper use of stock as a kind of currency, lack of proper publicity as to terms of organization, overcapitalization, etc.

II. QUESTIONS OF ADMINISTRATION AND ENFORCEMENT.

1. *System should be compulsory.*—As part of this discussion it may be remarked that a compulsory rather than an optional franchise system is necessary. There must be a positive prohibition against engaging in corporate interstate commerce without a Federal franchise in order to make the system effective.

It has been often suggested that a Federal license law or, more particularly, a Federal incorporation law might be made optional; that this law might require such publicity and fairness on the part of those coming under it that public opinion would force corporations to comply with it in order to gain the reputation of being substantial business entities. This was the basis upon which the proposed "New York business companies act" was drawn. No such optional law has been tried so far as is known, and it is extremely doubtful whether it would be used. In order to have a Federal law of any public benefit it must impose conditions upon corporations which from the strict standpoint of those interested in the corporation would be objectionable, inasmuch as the law must protect the public as well as the corporation. To this extent, therefore, those about to form a corporation would prefer the State law. Any such arrangement would reduce the United States practically to the position that an individual State holds now. The United States would merely offer one form of corporation law; 45 different forms are offered now by the different States.

If corporations now do not choose to avail themselves of the known merits of the Massachusetts law, for instance, rather than the piratical possibilities of the laws of certain other States, it is hardly likely that they would avail themselves of a properly drawn Federal law. It has been especially obvious that within the last two or three years the majority perhaps of the great corporations have been formed, not with a view to their future or to their business stability, but with a view to the stock markets and the issue of stock; and a promoter having this latter purpose in mind would care nothing about the enhanced reputation given by a sound corporate act, but would care a great deal about the enlarged possibilities of stock manipulation given by loose State law. In short, it is believed that the optional plan would fail.

2. *Determination of jurisdictional facts.*—The first point is the determination or definition of the corporations to which the system is to be applied; that is to say, By what practical method shall the fact be established that a given corporation is engaged in interstate commerce? This fact is, of course, the

basis of all jurisdiction in the matter and must be clearly and positively fixed by some method which will admit of being adjusted to a routine and applied readily to any corporation by some Federal authority; for instance, the Bureau of Corporations. It must be as nearly automatic as possible, involving as little expense, annoyance, uncertainty, and disturbance of traffic as may be.

There are two ways at least in which this fact may be established:

(a) By reference to the commerce itself during its transit or at some time between its inception and close, and most naturally at the time when it crosses the State line.

The obvious and weighty objection to this State line basis is that it is almost impossible to make it automatic; that it would require apparently a customhouse system which would be very expensive, involving great interference with business, and be wholly impracticable. It seems clear, therefore, that the establishment of the jurisdictional fact at the State line, taking the commerce itself as a basis, is a method which must be laid out of the discussion.

(b) The only practical alternative is by test applied, not to the commerce itself but to the parties. This would naturally be operated by means of returns by corporations to the bureau under a general law. Two difficulties appear here:

(1) Possibility of false returns by the corporation or its officers. This is not a serious danger, as the making of such false returns should subject the falsifier to severe penalty, and a violation of this rule could be rather easily proven in any given case.

(2) The second difficulty—a more troublesome one—is the possibility of evasion by the company—that is, the carrying on of its business under such form that its real interstate business would be concealed under the guise of a domestic business. This would naturally be attempted by making all its sales and purchases through an individual resident in the same State as the corporation, which individual should then sell to another individual resident in another State and where the other end of the transaction is desired to take place, so that the actual interstate commerce would apparently be between individuals only.

In other words, the corporation would attempt to change its interstate commerce from a corporate to an individual business, taking advantage of the fact that it is desired to apply this franchise system only to corporations. As a matter of law, it is of course possible to apply this franchise system to individuals; but the purpose of such a system is to remedy corporate evils, and present conditions do not call for any such regulation of ordinary individual interstate trade.

But the practical danger of effective evasion by such a plan is much more apparent than real. There are two reasons: In the first place, the main distinction between the real individual trade, with which no interference is intended, and the evasive trade suggested above, would be the difference between bona fide contracts of purchase and sale, and contracts of agency or consignment under the fictitious guise of sales. The legal difference between these two conditions is considerable, and it will be decidedly difficult to completely cover the fictitious nature of such evasive transactions. Second, it is obvious that such a system would in practice be exceedingly cumbrous, costly, and disadvantageous to the evading corporation. In most cases it would be easy to establish the fact that the individual seller or buyer was merely the agent of the corporation, and his status can be thus described in the act.

There would, however, remain a number of cases close to the line, especially with small corporations doing their business wholly through jobbers, where it might be hard to determine whether the contract made by the corporation with the jobber was a part of interstate commerce in disguise, or a purely separate contract and a bona fide domestic transaction.

In this connection it should be noted that either a Federal incorporation law or a Federal license law involves a practical difficulty, which is substantially new to our governmental operations; i. e., either system requires the dividing of the business of the country into two great classes, interstate and domestic, for the purpose of jurisdiction over corporations. This has never been done before, administratively. All that has been done so far is for the court to say in specific cases, with all the facts before it after a long trial, that such and such an act was or was not interstate commerce.

But this is quite a different thing from making a system by which an administrative bureau can, with the ease and speed essential to administrative action, test and determine this question for all corporations in the country.

There are indicated above the practical difficulties of establishing, for administrative purposes, the jurisdictional fact of interstate commerce.

It would possibly be sufficient to give the bureau power to determine *prima facie* the existence of this fact, leaving a right of appeal to the United States courts from such determination, and allowing the bureau jurisdiction on the *prima facie* determination until reversed by the court of first instance. after which the jurisdiction should be suspended pending an appeal by the bureau.

This power should also, of course, expressly include the power to apply in said *prima facie* manner the license requirements to any individuals who were, in the opinion of the bureau, acting as virtual selling or purchasing agents for corporations for the purpose of evading the license law.

Prima facie jurisdiction having thus been established, the bureau should be given means of enforcement based upon this fact in the form of some general right to impose a penalty or to cause the restraint of the offending corporation from engaging in interstate commerce.

III. DEFINITION OF INTERSTATE COMMERCE.

It is believed that no serious difficulty will arise in most cases on the question as to what constitutes "interstate commerce." It is merely desired to note here that it will be unwise in the proposed act to attempt any specific definition of such commerce. It is believed that it would be better to use merely the words of the Constitution. Any attempt to define such commerce otherwise will be certain to omit features which may come into existence later. The meaning of the words "interstate commerce" is a matter of common knowledge as regards their application to the great bulk of present transactions, and in doubtful cases the determination can be secured by judicial decision. It is chiefly essential that the law should be broad enough in its scope on this point to cover any transactions which may be hereafter determined interstate commerce.

IV. MATTERS TO BE LEFT IN CONTROL OF STATES.

Keeping in mind the logical division of corporate conditions as between the United States and the States, it is obvious that there should be left in control of the States such matters as peculiarly affect local conditions—as, for instance, protecting the life and health of citizens and their morals, the governmental agencies of the State, the right of the State to tax the property within its limits, the definition of contractual rights as relating to the domestic commerce, and their enforcement in the State courts, and all matters affecting real property located in the States. The use of the phrase "police powers," though technically appropriate here, has been avoided on account of its indefiniteness.

V. OUTLINE OF ESSENTIAL MACHINERY.

In order to accomplish the purposes of the proposed system, it would, in general, be necessary for the bureau to have full information as to corporate conditions. This would require such information as is necessary to give, in the first place, (a) a basis for jurisdiction, and (b) a basis for action in case the requirements of the law are not complied with. This would call for a regular system of annual reports from corporations, giving their form of organization; management and methods of business; financial condition; volume of trade and direction of the same; prices; cost and character of production and all selling or buying agencies.

It is possible that some more substantial basis than need for information may be required in order to make this report full and satisfactory. It is often found that a system of reports which is based solely on the principle of publicity or of the need of information lacks the necessary "sanction" to render it properly enforceable. It is suggested that this system of reports would be much strengthened if it were based partially on a small Federal tax, largely nominal and merely sufficient to support the bureau and to furnish a formal legal basis for the acquisition of the information desired. This tax would not be intended to accomplish any substantial change in the present system of corporate taxation.

Further, it should be noted that only certain portions of this information should be made public. The amount of publicity should be determined by the respective rights of the various interests involved in corporate business, and care should be taken to protect amply the rights of privacy, which are properly essential to the carrying on of business.

Specifically, a Federal franchise system, as above discussed, should have the following requirements:

(1) Annual reports from corporations as to their business, of such a nature as to show—

(a) Whether it is interstate or not.

(b) To fully inform the Bureau as to the details of the organization, the arrangement of stock interests, the property taken by the company at its inception and the consideration paid therefor, the terms of subscription, the bond indebtedness and the interests of the promoters therein, the personnel of the management, the charter and by-laws, the number and local distribution of stockholders, all contracts in full made with promoters and with financial interests in the organizing of the company, and all special legislation relating to the company. (These points might be stated in the first report and not repeated thereafter unless conditions were changed.)

(c) The financial condition of the company, showing its assets and liabilities, a statement of its business from the side of production, showing the character of goods, their distribution, prices, cost of production, condition of labor and wages, condition of plants and machinery, salaries, office expenses, taxes, and insurance.

(d) In public-service corporations special information should be required, directed to the question of discriminations and facts which bear upon this point.

(2) Provision for publication of so much information as is necessary to allow the public to protect itself against fraud and the abuse of minority interests.

(3) Provisions making false returns penal, and allowing for investigation by the bureau as to the fact of falsity.

(4) Provisions, as suggested above, against evasion through selling agents.

(5) Provision for a nominal tax for the support of the bureau.

(6) Issuance of a license to corporations complying with the requirements of this law.

The foregoing requirements apply almost wholly and exclusively to publicity. Some positive regulation by the Federal Government should also be added, possibly in some of the following forms:

(7) That corporations taking a Federal license should conform the status of their capital stock, bonds, and indebtedness to principles laid down by the act.

(8) Reports as to condition of company to be required for the stockholders.

(9) Increase of personal responsibility of managers and directors.

(10) Prohibition of discriminations by public-service companies.

(11) Prohibition of those classes of commercial methods which are clearly unfair competition.

(12) Power in the bureau in the first instance to enforce so many of the above provisions as may be adopted. Such enforcement would probably be by the action of the bureau as a prosecuting officer and would require provision for complaints to the bureau.

II. FROM ANNUAL REPORT FOR 1905.

[Pp. 5-8.]

The position of the bureau at the time of its creation was unique. It owed its existence largely to a public feeling arising from unusual industrial developments. Public opinion thereon was vigorous, but confused and vague. In general, the tremendous concentration of industrial power, the obvious use, in many cases, of improper industrial methods of competition, and the instances of clearly unsound or fraudulent finance connected with corporations, led to the general belief that there had arisen a new industrial problem, a set of conditions not adequately met by existing laws. No solution of this problem had then received general acceptance, nor had the problem itself been clearly stated. Numerous experiments at solution had been made by way of antitrust laws, but the admitted futility of most of these laws led only to the negative conclusion that such was not the way to treat the great industrial changes of which every one was cognizant.

Upon only one point can it be said that public opinion was fairly clear and unanimous, and that point was the desire for "publicity"—in other words, the desire for information. It was not clearly understood to what use this information should be put, nor, indeed, what subjects it should cover; but the demand for accurate information was fundamentally sound. The policy of the

bureau has been framed in accordance with this demand. Its field may be divided into subjects relating to law on the one hand, and subjects relating to economic industrial facts on the other. It must examine and compare the statutes under which the corporations are doing business with industrial and statistical facts.

A statute is the formal expression of public opinion. Hence statutes designed to improve industrial conditions will not be based upon sound economic principles unless public opinion which they express is the result of an accurate knowledge of industrial methods.

Not only is legislation dependent upon public opinion, but likewise moral standards in business and the rules of daily commercial intercourse, which can not be enforced by statute, are created and sustained by public opinion. Current events have strikingly demonstrated the tremendous reformative force of public opinion without the intervention of law. Existing business methods will be changed in accordance with public opinion. Heretofore the wide scope of corporate operations and the baffling diversities of Federal and State laws have made an intelligent public opinion impossible. The average man can easily judge of an isolated commercial transaction between himself and his neighbor, but he utterly lacks the statistical and legal information necessary to view justly the operations of the great corporations doing business throughout the country.

Industrial conditions are extremely complex, far-reaching, and composed of a multitude of detailed facts. To form an intelligent opinion of permanent industrial tendencies it is necessary not only to know accurately all the facts found in industrial conditions, but especially to be able to arrange these facts in their proper relations. Many mistakes of public opinion have been due to a failure to separate the essential from the nonessential, to give proper weight to the various facts. Much legislation has been enacted which is futile and often harmful because directed either at the modification of great economic laws, which can not be modified by statute, or at the treatment of sporadic and sensational facts. Estimates, guesses, prejudices, and limited individual experience have been the bases of action, rather than broad and final conclusions based upon accurate, properly arranged masses of facts.

The bureau, therefore, has endeavored not only to obtain accurate, reliable information, and facts sufficient in number to be representative, but also to draw conclusions that shall represent permanent tendencies rather than individual instances. To this end it has, with a force of carefully trained employees, taken up given industries dealing in important staples, and collected statistics and facts relating thereto; has then digested this information so as to obtain what might be called reliable general averages, and has endeavored to deduce from them conclusions as to permanent corporate methods and tendencies.

It is strongly felt that preventive rather than remedial means must be used in dealing with the entire problem. The Government must deal beforehand with causes, not merely afterwards with their effects. In order to ascertain proper methods of prevention it is necessary to know the causes of industrial evils. The work of the bureau has brought out, to an extent not reached before, the actual methods used in certain industries; their methods of competition, of economies in production and distribution, of discriminations in distribution and transportation; and also the results of such methods in obtaining or tending to obtain monopolistic control. Its work has shown, in the case of the several great industries already investigated, or now under investigation, the fact that the predominant control enjoyed by certain great concerns is based usually upon one or two, or a very few, single factors, such as the control of transportation, of trade-marks, of patent rights, of raw material, special legislation, or a combination of one or more of these factors.

Such information will afford the basis for an intelligent public opinion, and it will constitute "publicity" of a sort that will be efficient in correcting some prevalent abuses. An illustration of this principle has already been obtained in numerous cases where the bureau has been investigating oppressive and unjust methods of competition. In a considerable number of cases the victims of such methods have informed the bureau that the mere investigation of these facts has led to a discontinuance of the methods, and have assured the bureau that from their individual standpoint great good has already resulted to them from the bureau's work.

The year's work upon the investigation of special industries and particular corporations has strengthened my conviction that no permanent remedy for existing industrial evils can be expected until Congress exercises more fully its power of affirmative action under the commerce clause of the Constitution. No

fact of industry is more obvious than that modern business has outgrown and wholly disregards State lines, and that the jurisdictions of single States, as applied to the operations of a great interstate business, are futile and even harmful. A close study of the methods of organization and operation of the greater industrial corporations, their relation to transportation companies, both rail and water, their methods of competition, the extension of their business throughout many States, and the sale of their commodities throughout the world proves that they have actually gone beyond the possibility of proper supervision or control by the single State which gave them corporate existence. Their relation to the transportation companies alone is a sufficient reason for bringing them under Federal regulation. It is idle to claim that the railroads are wholly at fault for rebates, discriminations, and other devices for offering to one shipper improper advantages over a competitor.

It is impossible to prevent such abuses by purely penal legislation. This does not mean that the enforcement of the antitrust law has not been beneficial, for it has. Its enforcement has compelled some respect for the law, which, until recently, was wholly lacking. But so far as effecting a permanent change of the conditions which that law denounces, but little has been done. The imposition of a penalty upon a combination simply drives the men in that combination to the formation of another device for accomplishing the same purpose, and this for the reason that combination is an industrial necessity, and hence will be engaged in despite penal legislation.

By the exercise of the affirmative power granted under the commerce clause Congress can with safety provide a method by which reasonable combination may be permitted. This method must be founded upon an act of the Federal Government which will give to corporations engaged in interstate and foreign commerce standing and recognition under a Federal act. It may be accomplished either by a license to engage in such commerce or by a charter granted by the Federal Government. Under either form Congress should provide all requirements necessary to insure publicity and honesty in promotion, organization, capitalization, and conduct of the corporation, reserving to the Government the right of inspection of the books of such corporation and the further right—the most important of all—to stop the operations of such corporation if it becomes a violator of the Federal statutes, at all times preserving to the corporation and its stockholders the right of judicial appeal against the improper exercise of executive authority.

The power of Congress to regulate interstate commerce being plenary, that body may determine to what extent it will first exercise its power. The transportation companies most clearly should come within the terms of such a measure; and with them should be joined the greater corporations engaged in the production, manufacture, and distribution of those staples which affect the lives of the people of this country, and the monopolization of which will necessarily result in hardship and injustice to the individual. Such a law is not an invasion of individual liberty or right; is not an effort to have the Government do that which the individual could best do; and would not, in its effect, destroy individual enterprise or the possibility of individual success. It would afford equality of opportunity, not equality in results.

It is universally recognized that the great highways of commerce should be open to all upon equal terms. It is likewise true that the opportunities for the individual to engage in industrial enterprise should be equally free. The individual is not strong enough ordinarily to protect himself against a great corporation. He can be secure in his rights only under a law which subjects the corporation to regulation by a Government whose jurisdiction is broad enough and whose power is great enough to compel obedience. Such a law would lessen the possibilities of unfair and dishonest competition. Under such a law the questions of the reasonableness of combination, of conspiracies in restraint of trade, of monopolistic control, would be left, as they should be, for the determination of the courts; and the Government would then have, as it should have, the opportunity at all times to know the detailed operations of those corporations to which it has granted great powers, upon which it has imposed great responsibilities, and over which it will exercise its full measure of protection so long as they obey the laws of the land.

It is not necessary to repeat what was stated in my last annual report regarding the relative merits of Federal license or a national incorporation law. If the principle of Federal regulation be agreed upon, there will be little difficulty in determining which method should be adopted.

III. FROM ANNUAL REPORT FOR 1906.

[Pp. 5-6.]

The meat-inspection and pure-food laws are the most recent examples of the extension of the principle of publicity. The meat-inspection law goes further by affirmatively establishing the principle of imposing a condition precedent upon the right to engage in interstate commerce. Meat products can not be transported in interstate and foreign commerce until they have been subjected to Federal inspection and such inspection evidenced by labels. This is in effect the requirement of a license to engage in interstate commerce.

The investigations conducted by the bureau, the effect of the interstate-commerce laws, the results of prosecutions under the antitrust law, the reasons which compelled the enactment of the meat-inspection and pure-food laws, all lead me to earnestly urge again the desirability of and necessity for the establishment of Federal inspection and supervision of the greater industrial corporations engaged in interstate and foreign commerce, substantially as outlined in the license plan suggested in my annual reports for 1904 and 1905.

RECOMMENDATIONS OF INDUSTRIAL COMMISSION (1902) AS TO
FEDERAL LICENSE.

Commissioner Garfield, at the end of his report for 1904 (p. 60 above), referred to his suggestion of Federal license as not new and cited the recommendation previously made by the Industrial Commission.

The Industrial Commission, in its final report of 1902 on industrial combinations, recommended among other things that plan 3 be adopted, this being one of three possible plans that it had outlined as a remedy for corporate and industrial abuses it had found.

Plan 3 stated that the evils of combinations remedial by regulative legislation come chiefly from two sources: (1) The more or less complete exercise of the power of monopoly; (2) deception of the public through secrecy or false information. This plan further stated that:

"It may, perhaps, be found in the public interest to support our public burdens by levying more of the taxes upon those who, for whatever reason, have monopolistic power, and for private gain levy tribute through monopoly prices upon great masses of consumers. But in such case care should be taken that the taxation should not ultimately be borne by the people.

"It would seem entirely competent, if it should be thought wise, for our Federal Government to levy a franchise tax upon corporations engaged in interstate commerce. Congress, beyond question, has entirely within its control the regulation of interstate commerce. It is also clear that this control may be used for the purpose of raising revenue, and, incidentally, for the purpose of preventing any injury to the public, or of furthering the public welfare.

"Congress may, therefore, in its discretion, besides levying a tax upon them, lay other conditions, without the fulfillment of which State corporations would be forbidden to engage in interstate commerce. It may prescribe conditions which would in all probability prevent many, if not most, of the abuses which come from our great combinations, so far as they are engaged in interstate business. If it appears that danger of monopolistic power increases with the size of corporations and the extent of their business, a franchise tax might readily be made progressive in its rates, and thus give back to the public, through this partial bearing of the burdens of government, some of the gains of monopoly. Even if it were not felt that the greater corporations were more injurious to the public than the smaller, a progressive franchise tax might properly be levied on the ground that the larger corporations have a decided advantage in the conduct of business, so that a higher rate of taxation would not be to them more burdensome than a lower rate to a smaller rival.

"Such laws, either for levying a tax or for carrying out prescribed conditions in connection with corporations doing an interstate business, would of necessity require a special bureau for their administration." (Final Report of Industrial Commission, 1902, vol. xix, pp. 645-647.)

To accomplish the purposes of this plan it was recommended:

"That plan 3—Federal taxation and supervision—heretofore outlined, be adopted, and to accomplish its purposes—

"(a) That an annual franchise tax be imposed upon all State corporations engaged in interstate commerce, calculated upon the gross earnings of each corporation from its interstate business; that the minimum rate of such tax be low, but that the rate be gradually increased with increases in earnings.

"(b) That there be created in the Treasury Department a permanent bureau, the duties of which shall be to register all State corporations engaged in interstate or foreign commerce; to secure from such corporations all reports needed to enable the Government to levy a franchise tax with certainty and justice, and to collect the same; to make such inspection and examination of the business and accounts of such corporations as will guarantee the completeness and accuracy of the information needed to ascertain whether such corporations are observing the conditions prescribed in the act and to enforce penalties against delinquents; and to collate and publish information regarding such combinations and the industries in which they may be engaged so as to furnish to the Congress proper information for possible future legislation.

"The publicity secured by the governmental agency should be such as will prevent the deception of the public through secrecy in the organization and management of industrial combinations or through false information. Such agency would also have at its command the best sources of information regarding special privileges or discriminations, of whatever nature, by which industrial combinations secure monopoly or become dangerous to the public welfare. It is probable that the provisions herein recommended will be sufficient to remove most of the abuses which have arisen in connection with industrial combinations. The remedies suggested may be employed with little or no danger to industrial prosperity and with the certainty of securing information which should enable the Congress to protect the public by further legislation if necessary." (Pp. 650-651.)

The material referred to by Mr. Colver on page 49 above is here given:

THE PACKERS' POSITION IN THE DISTRIBUTION OF FOODSTUFFS.

The commission's investigation of the meat industry and of perishable, canned, and package foods has developed that the large packers are rapidly securing a strong position in the production of many, and in the distribution of nearly all, kinds of foodstuffs. This encroachment is particularly far-reaching in distribution. The numerous branch and sales houses of the Big Five packers scattered all over the country are no longer used for the exclusive sale and distribution of meats and by-products for which they were originally established.

These packers have invaded the wholesale grocery trade, and in practically all the more important centers of distribution they threaten to dominate a field which a few years ago was almost exclusively occupied by the independent provision jobber and wholesale grocer. With the exception of sugar and flour, the profits on the marketing of which are, without the control of their supply, relatively small and the control of which by the packers has apparently never gotten far and with the exception of fresh fruits and vegetables into the marketing of which the packers have never ventured far, the Big Five are now distributors of almost all the commodities legitimately belonging to the regular wholesale grocery, provision, and produce trade. These include all kinds of meats, dressed poultry, eggs, butter, cheese, cereals, and other package foods, jellies, pickles, and canned fruits, vegetables, fish, and meats.

The extent of these encroachments will vary with the commodity, the locality, and the dealer. Aside from meats, there are no absolute statistics on these commodities for the country as a whole which will show exactly how far the packers' invasion has reached. But reliable figures have been given to the commission by many individuals covering their own business dealings and these figures are conclusive as to the strong tendency.

The following figures and discussion relate to the packers' control over the distribution of poultry, eggs, and dairy products: Martin, Walt & Co., wholesale commission merchants, Memphis, Tenn., state that in the past few years their business has fallen off more than 60 per cent, which they attribute to the big packers. Gridley, Maxon & Co. say that the big packing houses are getting the business and that in poultry it is only a question of time when they will have it all.

The S. A. D. Parker Co., wholesale dealers in poultry, eggs, and butter, Norfolk, Va., states that the packers are gradually acquiring the great bulk of the egg, poultry, and butter business. The Fidelity Fruit & Produce Co., Atlanta, Ga., report that until 1916, many of the local produce dealers were also extensive dealers in poultry and eggs, but the Big Five have gradually taken the business away from them until now they together handle probably 75 per cent

of the poultry and 90 per cent of the eggs sold in the Atlanta market. The statement of McCullough Bros., wholesale dealers in produce, Atlanta, Ga., made independently of the preceding statement is that packers together handle 75 per cent of the poultry and 85 per cent of the eggs.

H. F. Battermen of Battermen & Koellein, poultry dealers, Chicago, say that the big packers are cutting into the poultry business very materially. At present about 66 per cent of the Chicago trade is sold by the Big Five. Augustus J. Bartlett, wholesale dealer in butter, cheese, eggs, and poultry, Boston, Mass., stated that the packers are cutting into the business of the independents constantly. The consensus of opinion of independent dealers at Chattanooga is that the big packers handle 75 per cent to 85 per cent of the eggs and poultry sold on that market.

H. R. Aiken, jobber and wholesaler of butter, eggs, and poultry, Philadelphia, Pa., states that the packers are getting control of the country shippers or forcing them out of business and that very few small independent shippers are left. George Collins, jobber in dressed poultry, Philadelphia, Pa., says that the packers have become so large in poultry business that the only chance for a small dealer in the poultry trade is to do a scalping business, and estimates that they have injured the independent poultry dealers in that city until they are doing only one-third of their former business. He expects the meat packers to drive all independents out of business.

Robert Ray, president of the Farmers' Product Co., Wichita, Kans., says that over 90 per cent of the poultry and egg business in the Wichita territory is now absolutely in the hands of the packers. Carl Nelson, shipper and packer of poultry, butter, and eggs, Hutchinson, Kans., states that he is the only independent buyer and distributor of eggs in that city where formerly there were many prosperous independent dealers. He says that Swift & Co. have secured the business.

Marshall, Jordan & Keith, wholesale produce dealers, Birmingham, Ala., report that the Big Five have the bulk of the trade there on eggs; that seven or eight years ago their firm had a good business in eggs, but that it has gradually dropped off until it is now practically nothing. Mr. Keith of the firm states that the packers have practically all the cheese business in Birmingham and about two-thirds of the egg business, and all the frozen poultry business. E. V. Mandel & Co., wholesale produce, Louisville, Ky., reports that in their immediate section Armour & Co., through ownership of the Kentucky Creameries Co., Louisville, Ky., and the Kentucky Creameries Co., New Albany, Ind., are, in their opinion, the biggest factors in eggs and poultry.

Dan B. Dougherty, of the Latshaw Feerst Co., Pittsburgh, Pa., says that the packers have become such large factors in the handling of butter and eggs that it is possible for them to manipulate the market at will. He believes that they could force the independent dealers out of business if they cared to do so. W. J. Hartzell Co., 205 Ferry Street, Pittsburgh, Pa., states that the packers "absolutely control the egg business" and that they make the price and eventually, in their opinion, will monopolize the poultry business.

F. K. McFall, of Gleason & Lansing, wholesale dealer in butter and eggs, Buffalo, N. Y., states that it is his opinion that the meat packers control the supply of eggs at the present time throughout the United States and cites as evidence that the British ministry in the summer of 1918 went into the open market and endeavored to buy 700 cars of eggs, but were able to secure but little in this way.

CANNED AND PACKAGE FOODS.

In canned and package foods the packers have made inroads into the wholesale grocery business equally marked. The following are a few statements from representative firms:

H. T. Quinton, St. Paul, Minn., states that Armour & Co. has bought up the entire catsup output of Lindner & Co., Terre Haute, Ind., and the entire output of corn canners and other foodstuffs from other manufacturers.

Wake, Peterkin & Co., food brokers, New York City, say that they wanted last fall to make a contract for sauerkraut between the Batavia Canning Co., Batavia, N. Y., and one of their customers. They had gotten to the point where that company had agreed to sell, subject to approval of sample which it was to send, but they were unable to get the sample and later learned that Wilson & Co. had acquired control of the Batavia Canning Co.

Thomas S. Vallette, of Francis H. Leggett & Co., New York City, states that Armour, Swift, Wilson, and the other packers are huge speculators controlling

an enormous aggregate of capital, and where they don't manufacture themselves they buy up as much as possible of the output and resell. Last year they bought all of the canned goods they could and sold them for less prices than the wholesale jobbers.

J. L. Griffin, wholesale grocer, reports that one of the proprietors of the Atlas Cereal Co., Kansas City, packers of rolled oats, advised them that Armour & Co. spent more for advertising their rolled oats last year than their total sales of rolled oats.

Henry C. Perkins, of Barber & Perkins, wholesale grocers, Philadelphia, Pa., says that they are beginning to feel very keenly the hand of the meat-packing combine on a great many staples in the grocery line outside of meats. This covers primarily almost all kinds of canned goods and many of the cereals, if not all. They say they were compelled to buy their supplies of canned pineapples from the Swift concern, Libby, McNeill & Libby, which should have come either from first hands or from surplus stocks held by the grocery shipping trade. The same was true last year with tomatoes in cans, the meat packers controlling the tangible supply at the end of the season. So also rolled oats and corn meal sold by the Buffalo Cereal Co., of Buffalo, N. Y., a subsidiary of the packers.

Robert L. Montgomery, of Montgomery & Co., wholesale grocers, Philadelphia, Pa., stated that in the prior 60 or 90 days they had been unable to buy a pound of rice, yet the meat packers had large supplies and had been selling to retail grocers from 1 cent to 1½ cents per pound less than the regular market price. Also that Armour & Co. bought over 1,000,000 cases of canned tomatoes last year at from \$1.20 to \$1.35 per case, taking them out of the market and saying they would not sell them until the market price reached \$2 per case. When the price reached that figure he said Armour & Co. sold tomatoes to their customers at \$2, and that they were obliged to pay the same price for what they needed to fill their orders. He also stated that the meat packers entered the grape-juice business a few years ago and in a short time formed a holding company with which most of the jobbers of grape juice became affiliated.

James Hewitt, of H. Kellogg & Son, importers and wholesale grocers, Philadelphia, Pa., reports that the packers now control the canned-tomato market, and that as to fruits, pineapples, cherries, and condensed milk they have either bought out or built a sufficient number of canneries to control the supply. He says that this policy of the packers crushes the small canners, and that if they are allowed to go on with their activities they will eventually control and manipulate all of these products. He further states that they are gradually encroaching on the grocery trade generally, driving dealers out of business and forcing them into the position of becoming their employees and distributing agents for them.

William J. Young, broker and commission merchant, Philadelphia, Pa., reports substantially the same with regard to Armour & Co.'s control over canned tomatoes as Robert L. Montgomery, of Montgomery & Co., Philadelphia, Pa. He reports also that the packers are in the distribution of rice, controlling the supply and refusing to sell to wholesale grocers.

William G. Bonstedt, of the Bonstedt Brokerage & Commission Co., Philadelphia, Pa., reports that the packers are both buying and putting up their own canneries in Philadelphia for fruit, vegetables, and fish; that Armour & Co. lately bought an oat-meal mill from Kern Bros., Milwaukee, Wis., and the Buffalo Cereal Co., Buffalo, N. Y. He complains of this company's forcing its way into the pineapple business, and where it was unable to buy the output of canning companies, compelled them to sell their plants. He says that if the large meat packers are not taken care of they will eventually control all of the food products in the United States.

William D. Mullen & Co., wholesale grocers, Wilmington, Del., reports that of all the large packers, Armour & Co. is most active in their territory; that this company purchases tomatoes very largely in this territory for its own labels.

Mr. W. F. Bode, of Reid, Murdock & Co. (Inc.), Chicago, Ill., states that at the Cleveland convention in 1917 Libby, McNeill & Libby had one buyer for each of the important items in the canned-food line, who had positive instructions to buy every case of goods they could from the packers who attended the convention. They not only bought at the prices offered, but they bid up the price to the canner in order to get these goods away from the regular wholesale channels. All during 1918, he further states, brokers said that the stockyards packers have given them carte blanc to buy at any price all the goods their canning accounts had to offer, and that Swift & Co. and Armour attempted to buy a large portion of the pineapple pack of 1918.

Walter Birkin, of the American Groceries Brokerage Co., Chicago, Ill., states that the effect of the large packers on his field—evaporated milk and pickles—is marked, the tendency being to cut out all middlemen through the control of the source of supply.

Arthur Williams, of R. G. Williams & Co., wholesale grocers, New York City, states that Wilson & Co. bought out the vegetable packing concern of Grafton & Johnson, of Indiana, from which Williams & Co. formerly bought as high as 17,000 cases of canned goods per annum. This not only cut off one source of supply of Williams & Co., but Wilson & Co. by this move became an active competitor. Libby, McNeill & Libby, a Swift concern, bought out the tomato catsup and chili sauce manufacturer, Mullen-Blakledge-Nellis Co., of Brazil, Ind. After this purchase he says they refuse to sell goods except under their own labels, and this cut off the source of supply of the Royal Scarlet, the best brand of catsup sold by Williams & Co.

E. C. Lavender, of the Wichita Wholesale Grocery Co., Wichita, Kans., reports that a local packer visited him on October 23, 1918, and told him that he had been empowered by Armour & Co. to buy from the Wichita Wholesale Grocery Co. all the canned corn which that company had on hand or had contracted for upon a basis of 7½ per cent profit over the cost at canning factory. He further states that the proposition was turned down for the reason that the merchandise had been bought for his own trade. He said he had reasons to believe that every wholesale grocer in his territory was made a similar proposition.

F. A. Alpin, of J. K. Armsby, New York City, estimates that the packers at the present time control one-fifth of the salmon canneries of the United States, and believes that they will "murder" the small businesses one by one in the most heartless fashion until they reach their goal—complete domination.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Friday, January 3, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

**STATEMENT OF MR. WILLIAM B. COLVER, CHAIRMAN FEDERAL
TRADE COMMISSION—Resumed.**

The CHAIRMAN. Gentlemen, the committee will please come to order. Mr. Colver, I was hoping we would get through with your statement to-day, if possible, and I am going to have to say on account of the members of the committee having so much work of pressing importance that we are going to have to insist on beginning these hearings promptly at 10.30 o'clock, and if any witness who was to be here is not here at that time, we will have to take up someone else. Our time is so pressing that we are compelled to do that in justice to the members of the committee.

You may now proceed with your statement.

Mr. COLVER. Mr. Chairman and gentlemen, I thought it would be useful this morning to come to the control in the purchase of live stock, and I will run over, just as briefly as I can, the successive stages or devices in the situation which bring us down to the present time.

DRESSED-MEAT POOLS (1885-1902).

The first getting together of the packers in the nature of a division of business was in 1885, and that combination—

Mr. PARKER of New Jersey. What date?

Mr. COLVER. In 1885. And that combination was not with respect to the purchase of live animals but with respect to the sale of meat. The agreement was on the sale of meat and was called the Dressed-

Meat Pool. The fact of such a pool is admitted and has been proven; proven in court proceedings. It was called the Allerton Pool or the Dressed Meat Pool, and the members were Swift & Co., Armour & Co., S. W. Allerton, Morris & Co., and Hammond & Co. The Cudahy Packing Co was not represented. The Allerton Co. was later absorbed by Morris & Co.

As I say, this pool or agreement ran to dressed meats and not to the purchase of live stock.

The operations of this pool were investigated by a special Senate committee on the transportation and sale of meat products, and after two years of investigation that committee reported unanimously in 1890 that there was convincing proof of collusion with respect to, first, the fixing of beef prices; second, the division of territory and business; third, the division of certain public contracts; and fourth, the compulsion of retailers to buy their beef from the members of the pool.

Just about that time the Sherman law was enacted, and this Senate committee report had been made. That was 28 years ago.

Then followed next, in 1893, what was called the Veeder Pool. It got the name of the Veeder Pool from the fact that Henry Veeder, the son of Albert H. Veeder, who was then the attorney of Swift & Co., was the secretary, and to an extent the clearing house for the pool's operations.

The existence of the Veeder Pool and the operations of the Veeder Pool have been made a matter of record in court by the testimony of Mr. Veeder himself in the National Packing Co. case. His testimony was given after the statute of limitations had run, and he testified that from 1893 to 1896 the representatives of Armour & Co., Swift & Co., and Morris & Co. met regularly every Tuesday afternoon at 2 o'clock; but the Cudahy Packing Co. and the G. H. Hammond Co. were also occasionally represented at these meetings.

During this early time, as was brought out in the National Packing Co. case, the various packing companies were designated by letters in records and memoranda made concerning the operations of the pool. Armour & Co. was called A; the Armour Packing Co. was called B; the Cudahy Packing Co. was called C; G. H. Hammond Co. was called D; the St. Louis Dressed Beef & Provision Co. was called E; Morris & Co. were called F; and Swift & Co. G.

The CHAIRMAN. Did that pool embrace buying live stock as well as selling dressed meats?

Mr. COLVER. That continued to be a pool for the selling of the dressed beef; a division of business based on the sale of meat.

Then on May 10, 1902, the Department of Justice filed a petition in equity for an injunction against the packers alleging the existence of this so-called Veeder Pool, and on May 21, 1902, a temporary injunction was issued. The preliminary injunction was made permanent and on appeal was affirmed, with some modification, by the United States Supreme Court on April 11, 1905.

Mr. ESCH. In that connection, your report sets out the decree of the Supreme Court?

Mr. COLVER. Yes.

Mr. ESCH. You might insert that as a part of your testimony.

Mr. COLVER. Yes; thank you. I will do that.

(The portion of the report follows:)

INJUNCTION OF PACKERS' COMBINATION (1902).

[Report of the Federal Trade Commission on the meat-packing industry. Part II, pp. 18 and 10.]

The Department of Justice. May 10, 1902, filed a petition in equity for an injunction against the packers, alleging various acts in restraint of competition in the purchase of live stock and the sale of meats, and in monopolization of commerce therein, including conspiracy to secure railroad rebates for the purpose of monopoly.

On May 21, 1902, a temporary injunction issued and, demurrers being overruled, a preliminary injunction was granted February 18, 1903. On April 22, 1903, the petition was taken pro confesso and on May 26, 1903, the preliminary injunction was made perpetual, and on appeal was affirmed, with slight modification, by the United States Supreme Court April 11, 1905. (196 U. S. 375, 393, 394.)

TERMS OF INJUNCTION.—The perpetual injunction of May 26, 1903, as modified by the mandate of the Supreme Court in 1905, was as follows (paragraphing, subdivisional numbering, and italics inserted by the Commission for convenience in analysis):

And now, upon motion of the said attorney, the court doth order that the preliminary injunction heretofore awarded in this cause, to restrain the said defendants and each of them, their respective agents and attorneys, and all other persons acting in their behalf, or in behalf of either of them, or claiming so to act,

[I] from entering into, taking part in, or performing any contract, combination, or conspiracy, the purpose or effect of which will be as to trade and commerce in fresh meats between the several States and Territories and the District of Columbia, a *restraint of trade*, in violation of the provisions of the act of Congress approved July 2, 1890, entitled "An Act to Protect Trade and Commerce against Unlawful Restraints and Monopolies," either

[1] by directing or requiring their respective agents

[a] to *refrain from bidding* against each other in the purchase of live stock; or

[b] collusively, and by agreement, to *refrain from bidding* against each other at the sales of live stock; or

[2] by combination, conspiracy, or contract, *raising or lowering prices or fixing uniform prices at which the said meats will be sold*, either directly or through their respective agents; or

[3] by *curtailing the quantity of such meats shipped* to such markets and agents; or

[4] by *establishing* and maintaining rules for the giving of credit to dealers in such meats, as charged in the bill, the effect of which rules will be to restrict competition; or

[5] by *imposing uniform charges for cartage* and delivery of such meats to dealers and consumers, as charged in the bill, the effect of which will be to restrict competition; and also

[II] from violating the provisions of the act of Congress approved July 2, 1890, entitled 'An Act to Protect Trade and Commerce against Unlawful Restraints and Monopolies,' by combining or conspiring together, or with each other and others, to *monopolize* or attempt to monopolize any part of the trade and commerce in fresh meats among the several States and Territories and the District of Columbia,

[1] by *demanding, obtaining, or, with or without the connivance of the officers or agents thereof, or any of them, receiving from railroad companies or other common carriers transporting such fresh meats in such trade and commerce, either directly or by means of rebates, or by any other device, transportation of or for such meats, from the points of the preparation and production of the same from live stock or elsewhere, to the markets for the sale of the same to dealers and consumers in other States and Territories than those wherein the same are so prepared, or the District of Columbia, at less than the regular rates which may be established, or in force on their several*

lines of transportation, under the provisions in that behalf of the laws of the said United States for the regulation of commerce,

be and the same is hereby made perpetual.

LIST OF CORPORATIONS AND PERSONS ENJOINED.—The defendant corporations and individuals enjoined by the above decree were as follows, the list being taken from the docket in the United States district attorney's office, Chicago:

Swift & Co., The Cudahy Packing Co., The Hammond Packing Co., Armour & Co., corporations under the laws of Illinois.

The Armour Packing Co., The G. H. Hammond Co., The Schwarzschild & Sulzberger Co., corporations under the laws of New Jersey, Michigan, and New York.

Nelson Morris, Edward Morris, and Ira N. Morris, copartners, under name of Nelson Morris & Co., doing business at Chicago, East St. Louis, and South St. Joseph.

J. Ogden Armour, Patrick A. Valentine, Calvin M. Favorite, Arthur Meeker, Thos. J. Connors, Chas. F. Langdon, Michael Cudahy, Edward A. Cudahy, Patrick Cudahy, Albert F. Borchert, Gustavus F. Swift, Lawrence A. Carton, D. Edwin Hartwell, Jesse P. Lyman, Frank E. Vogel, Louis Pfaelzer, William Russell, Albert H. Veeder, and Henry Veeder, citizens of Illinois, residing at Chicago.

Edward C. Swift, a citizen of Massachusetts, residing at Boston.

Ferdinand Sulzberger and W. H. Noyes, citizens of New York, residing at New York City.

ATTEMPTED MERGER AND NATIONAL PACKING CO. (1902-1912).

Mr. COLVER. While this litigation was going on in 1902 and 1903, there was an attempt at an actual merger of these companies, and the plans for this merger were going forward when the panic of 1903 came on and the large financing that was necessary to bring about a merger of such great size became involved, so the merger plans were abandoned.

The next sequence is the National Packing Co. phase. While the plans for the merger were going on and before they were finally abandoned a second plan, that of the National Packing Co., was launched.

It was arranged that a concern to be called the National Packing Co. was to be incorporated and by the terms of an agreement dated March 18, 1903, it was arranged that the National Packing Co. should acquire the Omaha Packing Co., the G. H. Hammand Co., the Hammond Packing Co., the Anglo-American Provision Co., the Fowler Packing Co., and the Stockyards Warehouse Co.

The National Packing Co. was actually formed and certain competitive companies to these big companies, which had been in these former combinations, were actually acquired and turned into the National Packing Co.

None of the big companies was merged with the National Packing Co., and the National Packing Co. got no further than to serve two purposes: First, to gather together certain independent competing companies; and second, to be a useful means of intercommunication, because the meetings of the National Packing Co.'s directors were equivalent to meetings of the packers in the combination which had created the National Packing Co.

However, the National Packing Co. attracted the attention of the law officers of the Government and litigation was started, so that the National Packing Co. was disbanded. It never gave up, I think, its legal existence, but it practically went out of visible business, and the various concerns or properties that had been brought into the

ownership of the National Packing Co. were then distributed around among the different big packing concerns in a proportion that was agreed upon.

THE PRESENT LIVE-STOCK POOL.

Now, it was that the live-stock pool, which had been in operation even in the National Packing Co. times, took the place of the Dressed Meat Pool; that is to say, a division not on the basis of the sale and shipment of dressed meat, but a division on the basis of the purchase of live animals.

It is evident that if two or more concerns purchase raw material, all their raw material, on a percentage basis, that their operations and sales and everything else, will tend to be in that same proportion, since the raw material is turned into the finished product. So that a control of the purchase of live animals is the same thing and achieves the same end as a control of the shipment of dressed meat.

In part 2, with which I suppose the committee has become more or less familiar during the time it has been in your hands, there is set out as an appendix, and also liberally quoted from throughout the body of the report, a document called the Black Book.

THE "BLACK BOOK."

This book is a memorandum that came into the hands of the commission in going through the papers relating to the formations of Wilson & Co. out of the Sulzberger Co. The Sulzberger Co. had been a member of and a party to the preceding combination, and it was finally taken over, or its name was changed to Wilson & Co., and in going through the papers relating to that transformation from the Sulzberger Co. to Wilson & Co. a memorandum book was come upon by the commission.

It is a private memorandum of Germon F. Sulzberger. It is fair to say that Mr. Sulzberger not only did not volunteer this thing but it was come upon without his knowing it, and he has objected that it was his private paper. However, it seems to have been in the public interest to keep possession of this memorandum, and the commission has kept it and has published it in full in part 2 of its report on the meat-packing industry.

Germon Sulzberger, representing the packing firm of Sulzberger & Co., which was the predecessor of Wilson & Co. (Inc.), attended meetings from time to time with two or more of the members of these preceding combinations or pools. His concern itself was a member of these pools or some of them. He had a habit of setting down carefully in writing in a methodical sort of way, apparently with very great care, the results of these various conferences, and there is internal evidence that the writing down of these things was done as quickly after the meeting as he had an opportunity—sometimes within an hour. So that here is a diary by a participant in these meetings of the proceedings, the discussions, the arrangements, and sometimes the disagreements of these men and these companies.

During the period that is covered by the Black Book memorandum the matter of the further development and the tying in of the South American packing business with that of the United States was the uppermost thing in the minds of the members of this combination, and for that reason the South American market, the division of it,

and arrangements concerning it are a much larger part of this memorandum and much more emphasized in this memorandum than they are in part 2 in general.

This memorandum is very frank. The names of the packers, their associates, their attorneys, and various officers are known by code names or symbols all the way through; and while the identity of these code names was worked out by the context satisfactorily by the agents of the commission, still, for verification, Mr. Sulzberger, unwillingly, was examined by the commission and required to give the key to the cipher code in his memorandum. This key is printed on page 213 of part 2, which is before you, and the memorandum just as it was found follows:

The memorandum covers a period beginning in January, 1913, and running through to—I think the latest date is March, 1916. So that it carries through two years and from January until March and carries a fairly full diary of various conferences held by these gentlemen during that time.

LIVE-STOCK POOL ELIMINATES REAL COMPETITION.

Now, it will be said, and it has been said, that there is competition among these five packers, and that that competition is real competition.

But, before I come to that, it is 28 years during which this industry has been practically continuously under some form of investigation by Government authorities. There has been litigation. There have been congressional investigations. There have been investigations ordered by Congress. There have been investigations undertaken by the Bureau of Corporations. During that time the methods and means of combination and agreement have been very much refined.

To begin with, prior to the Sherman law there was frankly an avowed pool as to dressed meats. Then came the pooling or the division of live animals rather frankly and openly done. Certain percentages then used are found to persist. New concerns have been brought in; old concerns have been absorbed, and the bringing in of the new concerns and the absorption of the old ones has brought about certain changes in the old percentages, but the changes in those percentages have been harmonious, and, after all, have had a distinct relation one with the other. So that the five big companies, in spite of all these changes—and they have been relatively slight—find themselves substantially as they were in the beginning, keeping in mind the fact that some new members have been added and some old ones have been absorbed.

Mr. ESCH. That is, Cudahy came into the last pool, as you pronounce it, and he was not in the original pool.

Mr. COLVER. Not in the dressed-meat pool.

Mr. ESCH. Not in the dressed-meat pool?

Mr. COLVER. No; nor in the National Packing Co.; and neither was the Sulzberger Co. in the National Packing Co.

Mr. ESCH. Is the Sulzberger Co. a successor to the Schwartzschild & Sulzberger Co.?

Mr. COLVER. Yes.

Mr. ESCH. And afterwards it became Wilson & Co. (Inc.)?

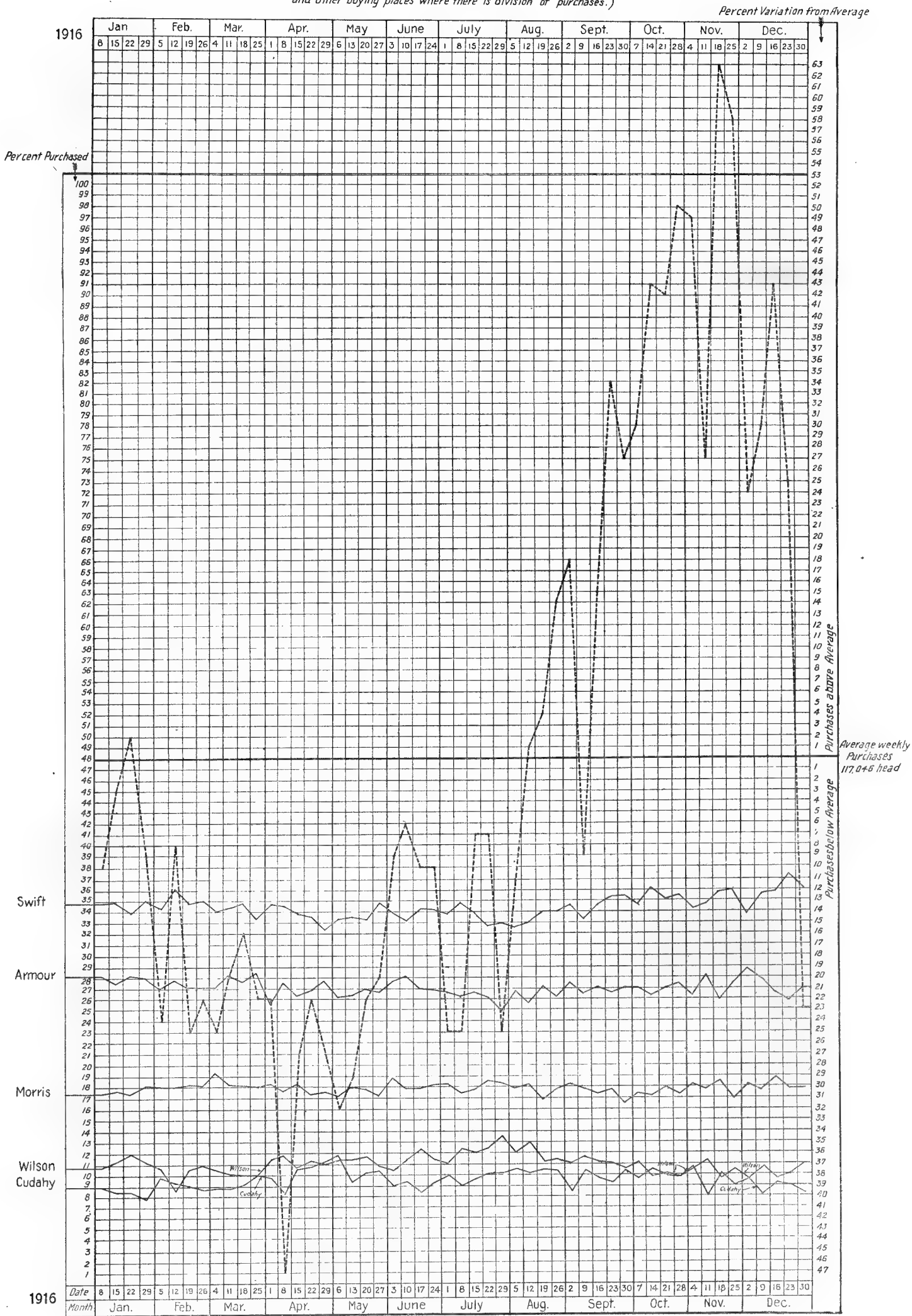
Mr. COLVER. That is correct.

DIAGRAM SHOWING
WEEKLY CATTLE PURCHASE PERCENTAGES

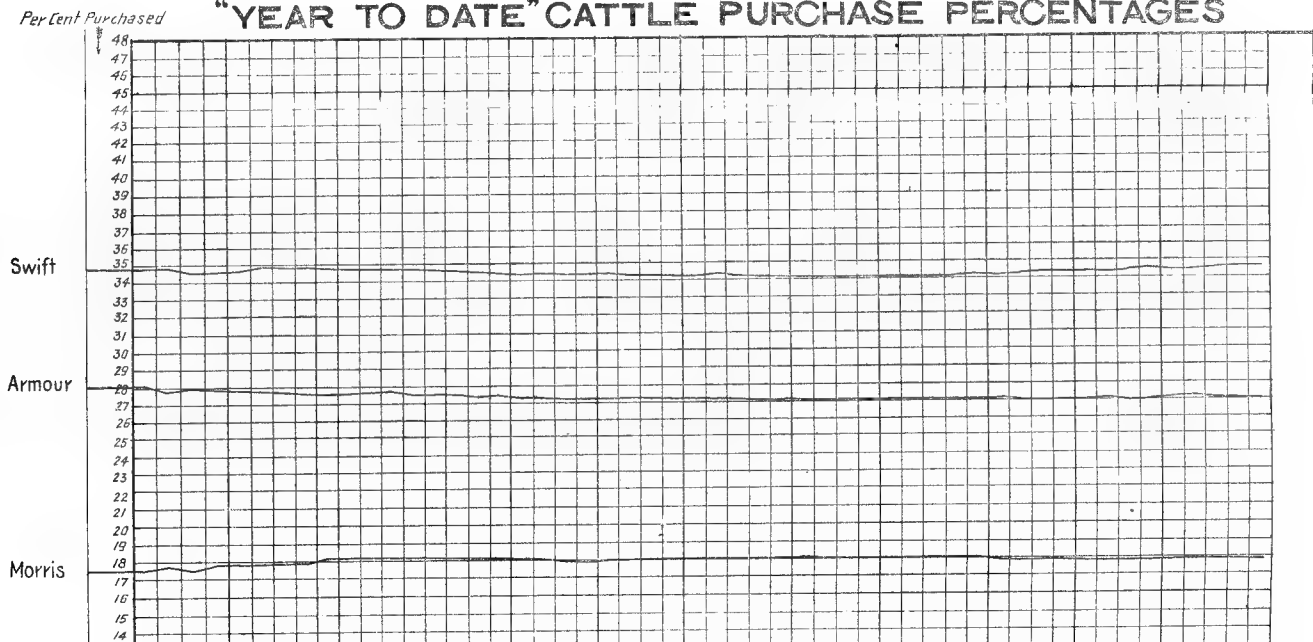
of Swift, Armour, Morris, Wilson and Cudahy
and
PERCENTAGE VARIATION OF NUMBER OF HEAD PURCHASED EACH WEEK FROM AVERAGE WEEKLY
PURCHASES FOR THE YEAR

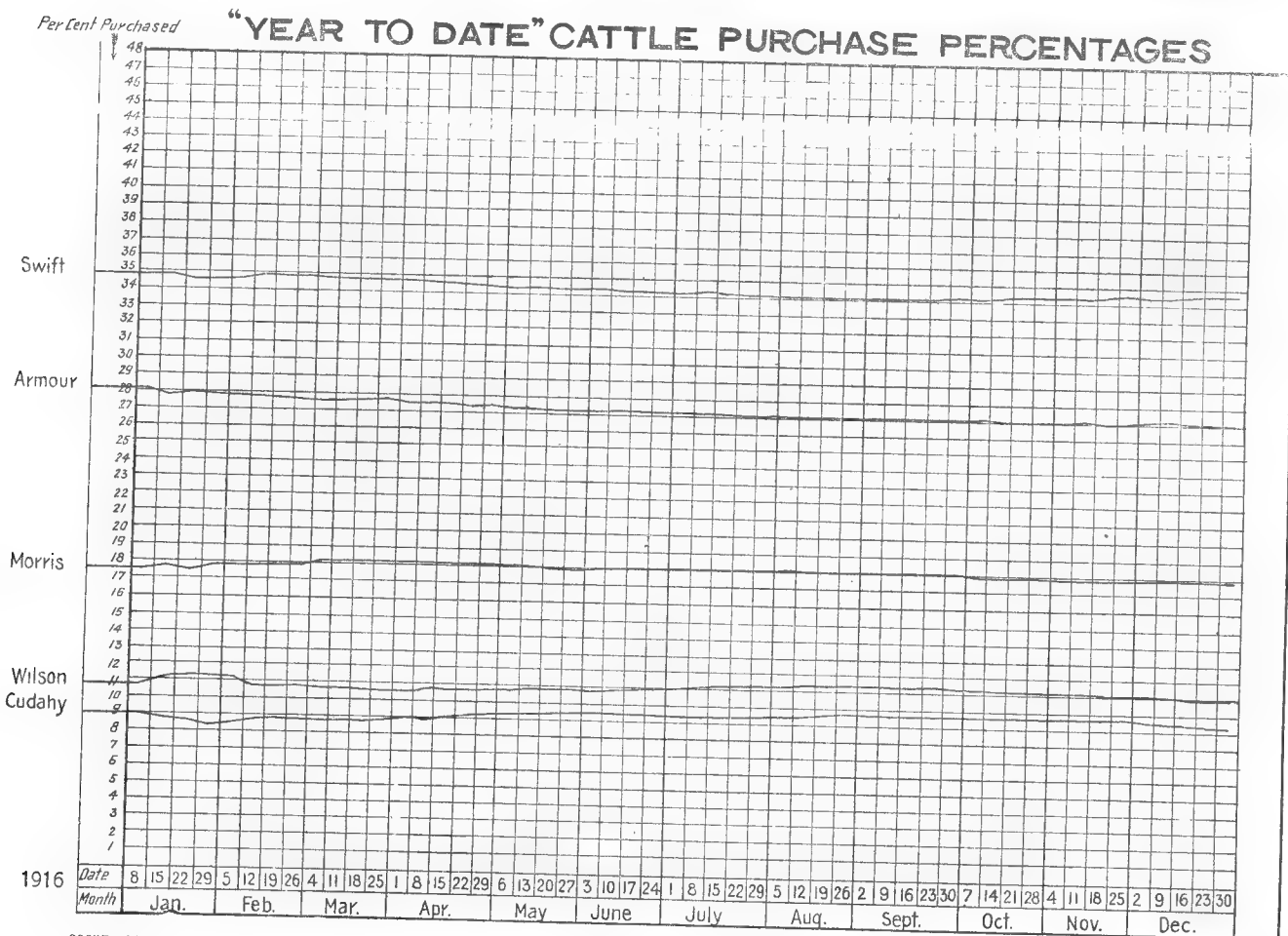
1916

(covering the following markets: Chicago, Kansas City, Omaha, St. Louis, St. Joseph, St. Paul, Fort Worth, Eastern markets, Denver,
and other buying places where there is division of purchases.)



"YEAR TO DATE" CATTLE PURCHASE PERCENTAGES





— = Per cent purchased.

— = Per cent variation of number of head.

Now, two things are insisted by these gentlemen—by the way, Cudahy was in the Veeder pool—first, that there is competition now, and that there has been competition in the purchase of live animals, and therefore in the sale of products, and that any apparent constant ratio is accounted for on a theory of “plant capacity,” on which they might say, “admitting we buy in a certain ratio, it is because our plants have a capacity which have that proportionate relation to each other.”

It is also pointed out that the fluctuations in the proportionate buying in various markets are very violent; that where, for example, Armour and Swift alone are in a given market their percentages of purchases vary widely in that market; that two of the five are in some markets, and three in other markets, and in some markets four, and in some all five of them; and that in any one of those markets you find very wide fluctuations and variations in the proportionate buying.

DIAGRAM OF CATTLE PURCHASE PERCENTAGE.

But, for the year 1916, for example, we take the 10 or 12—I will say 12—principal live-stock markets covered by the packers' division of purchase arrangement. We find that the fluctuations that are spoken of do exist in the individual markets and that the ratio and the percentage does jump around from week to week and from day to day and from month to month. But bringing all 12 of them together and considering the figures separately by weeks—that is, the first week in January, the second week in January, and so on—we find the weekly purchases of Swift, Armour, Morris, Wilson, and Cudahy, through the 52 weeks of the year, a line that looks like a sawtooth, up and down, it is true, but at that varying not more than 5 or 6 per cent. However, if we take the same figures of the five companies' purchases in the 12 big markets, and, in the case of each company, add its weekly figures together—accumulating the weeks we go—we get for each week the figures for the year that far, or the “year to date.” To explain these two methods: First, we take the first week in January, then, the second week in January, considered separately, and you will find considerable irregularity in the ratio of purchases between the five packers. But take the second method—that is, add the first week and the second week together, then, the first three weeks together, and so on, and the line begins to straighten out, and when we come to add the 52 weeks together—and I call your attention to a diagram printed opposite page 50 of the Part II report—I call your attention to that diagram [diagram referred to is printed opposite this page] which shows in the upper part of the diagram for the year 1916 the variation, week by week, of the number of head of cattle that were actually sold to the five packers in the 12 principal cattle markets. Then, it shows, week by week, the percentage purchased by the five big concerns, i. e., the percentage each of the five bought, of the total bought by all five—their division of their combined supply.

The lower chart, on the same piece of paper (opposite page 50, of Part II, of our report) shows these weekly totals carried forward cumulatively, each week adding all of the preceding weeks together, until you have the 52 weeks of the year added together for each of the five companies in the 12 markets, and the lines in no instance finish the end of the year more than the per cent off of the propor-

tions or the divisions. What you see in this chart for cattle in 1916 holds in general for the other animals and the other years.

Now, the irregularities of purchases in the various markets are cited as being proof of competition; but if, with those irregularities for the five buyers in the individual markets, as marked as they are and they finally wind up in a practically straight line, some of those lines being as straight as you could draw a line with a ruler—and I again call your attention to this chart—that is too much of a coincidence to be cited as a proof of competition. Competition would not work that way. Some one company, or two of them, must fall out of line in some way. If, in 12 markets, week by week, five different purchasers, in different groups, in different markets; that is, a certain two of the five purchasing at one market, another two in another, three at another, four at another, and all of them purchasing in others, and so on, with all the combinations that are made out of the 12 markets and the five purchasers, I say if all these purchasers and all these variations in proportions, week by week, at those places, shall result in a straight line, it just doesn't happen as a coincidence; and, I doubt, if it could be explained on any other theory than that there is something very much more definite than coincidence behind it, especially having reference to a fact like this—

Mr. STEPHENS. This diagram you refer to deals only with the purchases and not with the prices?

Mr. COLVER. With the purchases only. It has nothing to do with anything but the purchase of the head of live stock.

Mr. DOREMUS. Does it indicate anything except cattle?

Mr. COLVER. Only cattle. We will come to the others later, Mr. Doremus.

“ PLANT CAPACITY ” THEORY.

Mr. MURDOCK. May I make the suggestion to you there that the answer of the big packers to this fixed and continuing uniform percentage is plant capacity?

Mr. COLVER. I was about to come to that.

Mr. MURDOCK. I thought perhaps you had overlooked it.

Mr. COLVER. I had spoken of plant capacity, and I wanted to come back to that when we got this other thing visualized here.

Mr. STEPHENS. And as an economic proposition, I presume that is sound; that is to say, it would be an economic waste if these cattle were not distributed among the five packers in a manner that would keep them all employed; that would keep their plants running; that is, just considering it from an economic point of view only and from the point of view of the packers and not the point of view of the public. In other words, it would be an economic advantage to divide the cattle up equally among the packers according to their capacity.

Mr. COLVER. Quite so; and it is not complained of. We are not bringing it here now as a complaint. We are bringing it here as a fact.

Mr. MONTAGUE. Do you mean an economic advantage to the packer or to the public, or both?

Mr. COLVER. Well, I would say to all concerned, perhaps.

Mr. DOREMUS. What about the rest of the folks?

Mr. SWEET. I suppose it might be suggested, too, that these plants had been constructed with a certain capacity in order to take care of a certain proportion of the entire live stock.

Mr. COLVER. Yes; that was the suggestion Mr. Murdock made a few minutes ago, and I had also spoken of that a few moments ago by saying that that was a theory, and I said I was going to come to that theory called the "plant capacity theory" after I called your attention to this one thing.

I have called your attention to the chart, which shows that there are 5 purchasers in 12 markets, purchasing in various groups and percentages in each market, week by week, and all coming out even at the end——

Mr. DOREMUS. Pardon me, right there. You do not want us to understand that it is economically sound and advantageous for five packers to divide the market of the United States between them and each take their particular share agreed upon in advance. That really makes them the market, does it not?

Mr. STEPHENS. Well, they are.

Mr. COLVER. Absolutely.

Mr. DOREMUS. Is that a sound condition economically?

Mr. COLVER. No; I would not say so.

Mr. MONTAGUE. Did you not say so in answer to Mr. Stephens's question?

Mr. COLVER. Mr. Stephens's question, as I got it, was this: That it was economically well to be able to have facilities which would absorb at all times the supply that came to the markets, and that that absorption might be in such a way as would keep all the plants running, and I said we were not complaining about that. It would seem to me, if there were five going concerns, that competition would tend to keep those plants supplied with their material, and perhaps give somewhat better markets for the producers of these animals than an arrangement such as we find here; that competition will be better than agreement.

Mr. STEPHENS. In other words, Mr. Colver, I presume that if we could get the packers to compete for their meat animals, honestly compete for them, the equilibrium would be adjusted according to the capacity of the plants, because if a man was not getting enough animals, he would bid up a little bit and get more; but, as a matter of fact, your diagram there would indicate, as well as in other places in this report, that there is not much competition between them in buying.

Mr. COLVER. No. Now, this brings us, with one more figure in your mind, to the consideration of the plant capacity theory.

We find this straight line of the ratio of the total purchases in 12 markets by 5 packers, and yet we find that the receipts of live stock at those 12 markets, week by week, constitutes the widest fluctuating line of all [indicating dotted line on chart]. So we find, in the year 1916, which we are now studying, that in one week the receipts at the 12 markets totaled only 62,006 cattle, and in the largest week the receipts were 190,686, and yet the percentage or straight line of year to date weekly averages is not disturbed.

The CHAIRMAN. On purchases?

Mr. COLVER. On purchases. Now, to come to Mr. Sweet's point. On the theory of plant capacity, that does not parse; it does not work out. A theory of plant capacity would work all right if the supply were constant, but the theory of plant capacity does not work when you have a week of 62,000 head receipts against a week of 190,000

receipts, because no plant on the 62,000 a week was anywhere near capacity, and it is assumed that on the 190,000 a week all the plants must have been at or near capacity.

So I would say that the plant-capacity theory does not prove out in the light of these wide fluctuations.

Mr. PARKER of New Jersey. How long do they keep their cattle in their yards?

Mr. COLVER. Just as brief a time as possible.

Mr. PARKER of New Jersey. How many weeks do they sometimes keep their cattle in the yards?

Mr. COLVER. One or two days; rarely a week.

Mr. PARKER of New Jersey. They rarely keep their cattle a week?

Mr. COLVER. Yes.

Mr. SWEET. In other words, then, your position is that these plants are not being run at full capacity at all times?

Mr. COLVER. They are not. Having this chart before you and reading the one on the upper part of the page, with Mr. Sweet's question in mind and remembering Mr. Murdock's suggestion, you will find the low week—the 62,000—was the week of April 8. Now, following the week of April 8 up this column, you find that the proportions of purchases of the five concerns were no more violent in their fluctuation than they were in many other weeks. In other words, when there were few cattle on the 12 markets the five packers bought in relatively the same proportions. There are variations, but not unusual, and they did not at all disturb the steady proportional lines in the "year-to-date chart"—the lower diagram. Take the week of April 8 and add to it all the preceding weeks of the year and you find that curves are not disturbed at all.

Now, going to the week of November 18, which was the high-receipt week, and when 190,000 animals were purchased and disposed of in these 12 markets to these five concerns, and following that week—the week of November 18—down, you find no unusual fluctuation in the percentage relation of the purchases of the five companies to each other and to their total purchases; and following the same date on down to the lower diagram, which shows the percentages of purchase by the five packers for the year to date by weeks, you find no evidence of any variations there in that week or caused by that week.

So that the plant-capacity theory does not seem to work. The figures seem to be distinctly against it.

LOCAL SLAUGHTER.

Mr. HAMILTON. May I ask you a question, Mr. Colver?

Mr. COLVER. Certainly.

Mr. HAMILTON. From your investigation you have not any doubt that there has been and is a cooperative understanding among the packers as to the prices to be paid for meat on the hoof, have you?

Mr. COLVER. No; I have not any doubt of it.

Mr. HAMILTON. Your investigations have led you to that conclusion. Take the smaller farmer, the producer of hogs, sheep, and cattle to a limited extent—is not the price fixed in respect to the local butchers' price by this price-controlling power, and does not the local butcher pay the local farmer about the same price that prevails in relation to the meat in the larger markets; so that if there is an oligarchy, it extends to the humblest hogpen in the country; is that your conclusion?

Mr. COLVER. I think that the local butcher buys pretty much on the market, and the market is fixed——

Mr. HAMILTON. And the local consumer pays big city prices, as a rule, for the steak he buys at the local market, does he not, as a rule; that is also your conclusion, is it not?

Mr. COLVER. I think it is; oh, unquestionably.

Mr. DILLON. Mr. Colver, in that connection, are there really any local people engaged now in the killing of live stock?

Mr. COLVER. For local consumption—you mean the village butcher?

Mr. DILLON. Yes.

Mr. COLVER. Oh, yes.

Mr. DILLON. The local butchers have all been driven out by these packers?

Mr. COLVER. Not entirely—no; there is still local slaughtering.

Mr. DILLON. But it is very limited, is it not?

Mr. COLVER. It is limited.

Mr. DILLON. The tendency is to drive the local butcher out of business, is it not?

Mr. COLVER. They have been disappearing, and they are decreasing in number rather than increasing, and they are decreasing in their percentage of purchase of the live stock of the country proportionately.

I do not want to have it appear that we are saying here—and it is a good time, I think, to make it clear, so that there can not be a confusion—that these five packing concerns have a domination and a very great control and a very great percentage of all the animals that are used as food. We do say that that exists with respects to the animals used as food and shipped in interstate commerce; and then we say that that volume of animals proportionately is very great with respect to the whole. But if you add to the number of animals that are purchased and slaughtered and prepared for food by independent packers in interstate commerce all those that are killed on the farm (and of which statistics are secured for you by the Department of Agriculture) and all those that are killed by the village butchers, you get a substantial figure to offset against the total purchase by these five packers. But, manifestly, the animal that is slaughtered on the farm for domestic, for home use, the animals that are killed by the village butcher for local consumption, are not in competition, are not in interstate commerce; and the question that we are directing our attention to is the meat industry in interstate commerce, and the proportion is so much greater that, while it is related in thousands, when you think of the thousands of farms and the thousands of homes in the country—when the packers give you figures in thousands of the animals they do not get, it will look big. But that figure will be composed, if you ask it to be analyzed when it is given to you, very largely of the farm-slaughtered animal or the animal slaughtered by the local butcher; and when you come to analyze it and find out how much there has been of destruction of competition in interstate commerce in this industry, the figure will change very much in its significance.

Mr. HAMILTON. The local butcher, say, in a town of 5,000 or 10,000 within 100 miles or perhaps a little more of Chicago, will not perhaps find enough stock on the hoof, in his vicinity, to supply the needs of the patrons of his market, and therefore, as a rule, that

local butcher buys meat of the packer, does he not, to supply in part his local trade, and completes his stock from such animals as he can pick up from time to time locally?

Mr. RAYBURN. Do you mean fresh meat?

Mr. HAMILTON. Yes; that is exactly what I mean.

Mr. RAYBURN. That is entirely true of the section in which I live, and I am within 100 miles of the packing plants of Armour and Swift in Fort Worth.

Mr. HAMILTON. I think it is true in the vicinity of Chicago.

Mr. SWEET. It is true in northeastern Iowa, I know.

Mr. HAMILTON. Now then, the prices that the butcher pays for his meat, in other words, the prices that the packers fix are the prices that control him in his dealings, and in all probability he will endeavor to buy the animals on the hoof for as much less as he possibly can; is that correct, too?

Mr. COLVER. Of course, he naturally would want to take advantage of any freight differential.

Mr. HAMILTON. He never rises above the fountain head of prices fixed by the combine, does he—did you ever hear of any such thing?

Mr. COLVER. No; we have no knowledge of such an instance.

Mr. MONTAGUE. Is the price of cattle in the small town noticeably affected by the price fixed by the packers?

Mr. COLVER. Oh, yes. The local market, that is, the price at which the local sale is made, is a reflection of the market on that day or the previous day in the local paper which is the Chicago, the Omaha, or one of the other big markets.

Mr. MONTAGUE. I ask that because I understood you to say a moment ago there was no relation between what was called the farm cattle slaughtered by the local butcher and the cattle that went into the great combine.

Mr. COLVER. I did not mean to say that there was no relation. I mean to say—

Mr. MONTAGUE (interposing). Perhaps I might have misunderstood you. Perhaps you meant to say that you were only dealing with live stock that entered into interstate commerce and were not dealing with the prices fixed by the local butcher—perhaps those last words are not apt, but I will let them stand.

Mr. COLVER. Yes; I think that is a better statement of the point I made.

FIVE-YEAR DIAGRAMS OF CATTLE, SHEEP, AND HOG PURCHASE PERCENTAGES.

To come back to your question, Mr. Doremus, you asked if this chart I was reading from had only to do with cattle, and whether or not we had considered the other sorts of animals. Without going into an examination of the chart, which is on the opposite page—

Mr. DOREMUS. If it is in the report, I can read that later in the day.

Mr. COLVER. There is a chart [chart referred to inserted on opposite page] opposite page 57 having to do with cattle, sheep, and hogs, and for the calendar years accumulatively 1914, 1915, 1916, and 1917; but without going into that table, which is similar to the one I have just been talking about as to the cattle, I can give you in a word the percentages of the stock purchases at the 12 largest markets by the five great packers and all other purchasers—that is, the relation between the purchase by these five packers and by all others in these

DIAGRAMS SHOWING YEARLY CATTLE, SHEEP, AND HOG PURCHASE PERCENTAGES

of Swift, Armour, Morris, Wilson and Cudahy
and

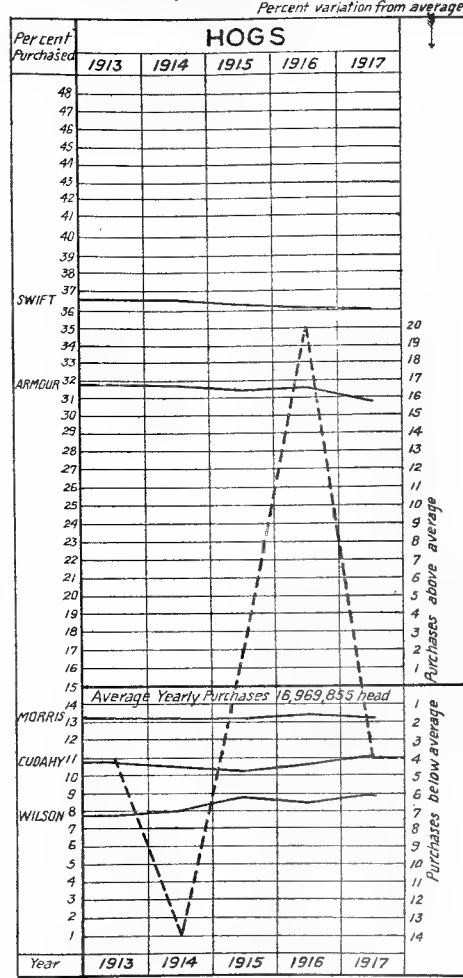
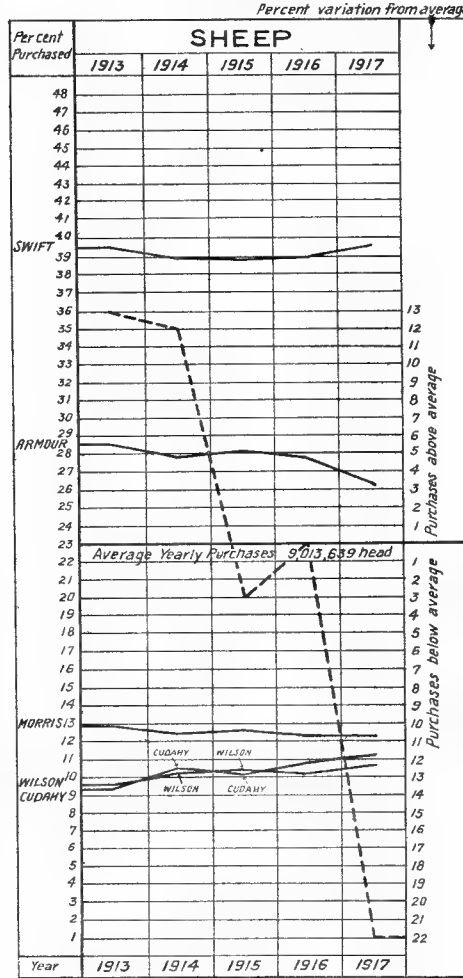
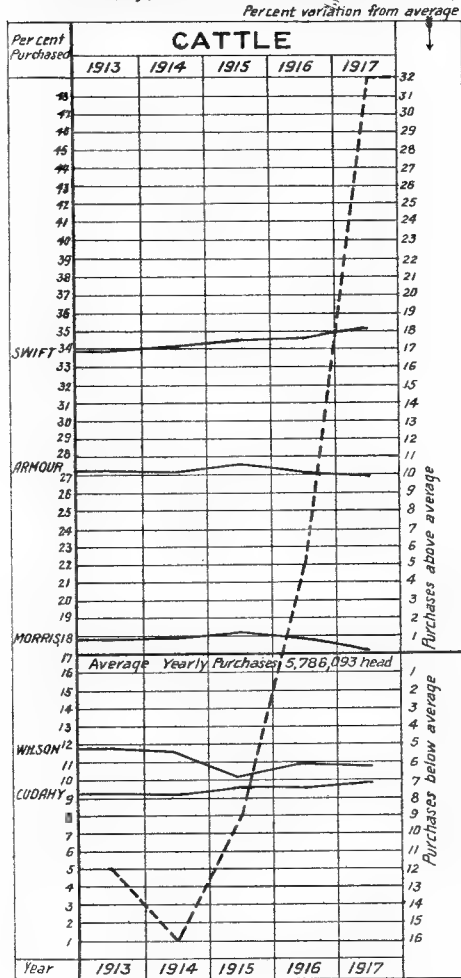
PERCENTAGE VARIATION OF NUMBER OF HEAD PURCHASED EACH YEAR
FROM AVERAGE YEARLY PURCHASES FOR FIVE YEAR PERIOD

1913-1917

(covering the following markets: Chicago, Kansas City, Omaha,
St. Louis, St. Joseph, St. Paul, Fort Worth, Eastern markets, Denver,
and other buying places where there is division of purchases.)

(covering buying places where there is division
of purchases.)

(covering the following markets: Chicago, Kansas City, Omaha,
East St. Louis, St. Joseph, St. Paul, Sioux City, Fort Worth, Oklahoma City,
Denver, and other buying places where there is division of purchases.)



12 markets. These are not just the same markets I have been speaking of in connection with the cattle chart, but include most of the same ones.

BIG PACKER PROPORTION OF TOTAL SLAUGHTER AT 12 PRINCIPAL LIVE STOCK MARKETS.

Mr. DOREMUS. Let me ask you, then, right in that connection: Have you any information showing the proportion of the total production of live stock that is marketed in the 12 places and taken by or absorbed by these five concerns?

Mr. COLVER. Yes. That is a better way to describe these figures I am about to give you. I am going to give you now the total purchases in the 12 great markets, and then I am going to give you the proportion or percentage which was purchased by the five great packers and purchases by all other than the five great packers.

Mr. HAMILTON. Will you name the 12 great markets?

Mr. COLVER. They are Chicago, Kansas City, Omaha, St. Louis, New York City, St. Joseph, Fort Worth, St. Paul, Sioux City, Oklahoma City, Denver, and Wichita.

Mr. PARKER, of New Jersey. Are you reading from the book?

Mr. COLVER. I am referring to page 40, Mr. Parker.

Mr. ESCH. That excluded the Pacific slope?

Mr. COLVER. Yes.

Mr. ESCH. They have some separate arrangement there?

Mr. COLVER. Yes; the Pacific coast matter was treated separately in this part of the report. Part 2 has been treated separately.

The CHAIRMAN. Will you state a percentage of the purchases in these 12 markets by the five great packers, and then give the percentages of all other purchases in those 12 markets?

Mr. COLVER. The number of animals purchased in these 12 markets which I have just recited——

Mr. SWEET (interposing). When you say "animals," you mean hogs and cattle?

Mr. COLVER. I am going to classify them. The number of animals purchased in these 12 markets in the calendar year of 1916, and the proportion in which they were purchased, the percentage, with respect to whether they were purchased by one of the five great packers or by somebody else, are as follows:

Cattle.—Total purchases, 6,440,140; purchased by the five great packers, 94.4 per cent, or by head, 6,081,698; and purchased by other than the five great packers, 358,442; the percentage for all others is 5.6.

Calves.—The total disposed of through these 12 markets was 1,410,854, of which the five great packers purchased 1,257,151, or 89.1 per cent, all other purchases being a total of 10.9 per cent.

Similarly, in the same markets and with the same identification as to sheep—total purchases or sales—if we want to call them "sales"—9,552,943; of which the five great packers got 9,005,559, which was 94.3 per cent, leaving 5.7 per cent for all other purchasers.

As to hogs—the receipts were 24,399,923, of which the five great packers were the purchasers of 19,768,776, or 81 per cent; the purchases of all other than the five great packers was 19 per cent, or a total of 4,631,157 hogs.

Now, counting these animals by the head, which is a somewhat misleading thing to do because they are of different value; they are

different price per pound; they are of different value, of different size as to their yield of food and all that sort of thing, so it is not very illuminating to add unlike things together and get percentages. However, it can be done and considered for what it is worth, and it shows that in the 12 markets the receipts of all these animals, cattle, calves, sheep, and swine, the total receipts were 41,803,807 head for the calendar year 1916; and of these the five great packers purchased 36,113,184, which is 86.4 per cent.

All other than the five great packers who purchased in those 12 markets purchased a total of 5,690,686, which is 13.6 per cent.

Attention is immediately attracted here to the fact that the proportion is the smallest as between the five great packers and all others with respect to hogs, and the primary reason for that is this: That in the marketing of the hogs the refrigerator car is not so essential. The hog is turned into provisions, bacon, hams, salted meat, etc., and for that reason the refrigerator car does not play so important a part in that side of the industry. That, if anything, adds to what we have before said to you about the effectiveness of the refrigerator car as a means of control in this industry.

MR. HAMILTON. How many packing corporations are there outside of the so-called five packers?

MR. COLVER. I think, rather than put in a fragmentary sort of a list, Mr. Hamilton, if you are willing we will get one up more carefully and put it in later.

MR. HAMILTON. I think it would be advisable to have it in the record.

MR. COLVER. Yes; I will do that.

(The material referred to was subsequently furnished, and is here inserted, as follows:)

LIST OF INDEPENDENT SLAUGHTERERS.

The independent slaughtering firms in the United States are as follows:

On June 30, 1917, the commission found 623 independent firms engaged in local (intrastate) trade which slaughter one or more kinds of animals. It found 227 independent firms which do an interstate business which slaughter one or more kinds of animals. The names and addresses of these interstate independent slaughterers are given below.

In submitting the number of independent local slaughterers and the names of the interstate independent slaughterers it should be stated that the commission does not make the positive statement that all of the firms enumerated are really independent of one or the other of the big five. It can only state that at the present it has no convincing evidence that they are controlled by the big five. It is known that some of them are very closely tied up with the big packers by leasing or other arrangements. The commission is not able to say that these arrangements constitute "control."

INTERSTATE INDEPENDENT SLAUGHTERING COMPANIES.

Agar Co., John, 4001-4051 Union Street, Chicago, Ill.
 Allison & Co., J. H. (Inc.), 1201-1203 Fort Street, Chattanooga, Tenn.
 Arbogast & Bastian Co., 1-19 Hamilton Street, Allentown, Pa.
 Aron, A. (Inc.), 335 Johnson Avenue, Brooklyn, N. Y.
 Aronhime Packing Co., Bristol, Tenn.
 Augusta Packing Co., New Savannah Road, Augusta, Ga.
 Barton & Co., Seattle, Wash.
 Baton Rouge Abattoir, Baton Rouge, La.
 Bauer's Sons, Jacob, 2932 Massachusetts Avenue, Cincinnati, Ohio.
 Baum, Joseph, 308 Central Avenue, Kansas City, Kans.
 Belmont Farm Products Co., Belmont, Mass.
 Belz Provision Co., J. H., 3601 South Broadway, St. Louis, Mo.
 Birmingham Packing Co., 2105 Morris Avenue, Birmingham, Ala.

- Blumenstock & Reid Co., 3261 West Sixty-fifth Street, Cleveland, Ohio.
 Boise Butcher Co. (Ltd.), Boise, Idaho.
 Bornwasser Co., L. P., 929 Geiger Street, Louisville, Ky.
 Boyd, Lunham & Co., Union Stock Yards, Chicago, Ill.
 Brennan Packing Co., 3916 Butler Street, Chicago, Ill.
 Brighton Dressed Meat Co., Brighton Abattoir, Brighton, Mass.
 Bristol Packing Co., Virginia Avenue, Bristol, Tenn.
 Brown, A. L., Nisqually, Wash.
 Brown Bros., 534 West Ray Street, Indianapolis, Ind.
 Buckley Co., John J. (Inc.), 34 West Second Street, Chester, Pa.
 Bull, J. C., jr., Co., Arcata, Cal.
 Burk, Louis, Girard Avenue and Third Street, Philadelphia, Pa.
 Burkhardt Packing Co., the Henry, Dayton, Ohio.
 Butchers' Packing Co. of Cincinnati, 529 Poplar Street, Cincinnati, Ohio.
 Butchers' Abattoir, post office box No. 506, Augusta, Ga.
 Capital Meat & Live Stock Co., Denver, Colo.
 Carondelet Packing Co., 8000 Ivory Avenue, St. Louis, Mo.
 Carr, George G., Main Street, West Newbury, Mass.
 Carstens Packing Co., Tacoma, Wash.
 Cheshire Farm, Keene, N. H.
 Chicago Packing Co., 4531-4539 Gross Avenue, Chicago, Ill.
 Chieffetz & Greenberg, 264 Hudson Avenue, Brooklyn, N. Y.
 Cincinnati Abattoir Co., 3241 Spring Grove, Cincinnati, Ohio.
 Cleveland Provision Co., Commercial Road, Cleveland, Ohio.
 Cochran Packing Co., Central Avenue and Water Street, Kansas City, Kans.
 Cohen, Nathan, Brighton Abattoir, Brighton, Mass.
 Columbus Packing Co., Columbus, Ohio.
 Comstock & Co., 199 Canal Street, Providence, R. I.
 Consolidated Dressed Beef Co., Philadelphia, Pa.
 Corkran, Hill & Co., Union Stock Yards, Baltimore, Md.
 Crane Co., M., 651 West Thirty-ninth Street, New York, N. Y.
 Cray Packing Co., S. J., Bellows Falls, Vt.
 Cudahy Bros. Co., Cudahy, Wis.
 Danahy Co., Metcalf and Clinton Streets, Buffalo, N. Y.
 Davis, C. A., 9 Fair Street, Newburyport, Mass.
 Decker & Sons, Jacob E., Mason City, Iowa.
 Dold Packing Co., Jacob, No. 745 Williams Street, Buffalo, N. Y.
 Drummond Packing Co., Eau Claire, Wis.
 Dryfus Packing & Provision Co., First and Ellsworth Streets, La Fayette, Ind.
 Dubuque Packing Co., Sixteenth and Sycamore Streets, Dubuque, Iowa.
 Dunlevy Packing Co., Hamilton Avenue and Enterprise Street, Pittsburgh, Pa.
 East Side Packing Co., Second Street and Lynch Avenue, East St. Louis, Ill.
 Eckart Packing Co., Fred, 1825 West Main Street, Fort Wayne, Ind.
 Elliott & Co., Thirty-seventh Avenue west, Duluth, Minn.
 Elmore Live Stock Co., P. O. box 43, Peoria, Ill.
 Engelhorn, John, 17-23 Avenue L, Newark, N. J.
 Erhardt & Sons, G., 545 Poplar Street, Cincinnati, Ohio.
 Evansville Packing Co., The, Morgan Avenue and Harriet Street, Evansville, Ind.
 Farmers' Cooperative Packing Co., North Street and Chicago, Milwaukee & St. Paul Railway tracks, Madison, Wis.
 Farmers' Cooperative Packing Co. of Wausau, Wausau, Wis.
 Farmers' Serum Co., National Stock Yards, St. Clair County, Ill.
 Fein & Co., John J., 4144 Germantown Avenue, Philadelphia, Pa.
 Fergus Packing Co., Fergus Falls, Minn.
 Fesenmeier Packing Co., Fourteenth Street and Madison Avenue, Huntington, W. Va.
 Figge & Hutwelker Co., 621-635 West Fortieth Street, New York City.
 Fink & Sons, A. (Inc.), 129 Belmont Avenue, Newark, N. J.
 Fockes' Sons Co., The William, East Springfield Pike, Dayton, Ohio.
 Folger, Jacob, Phillips Avenue, Toledo, Ohio.
 Forbes & Co., W. S., Hermitage Road, Richmond, Va.
 Fostoria Provision Co., The, Fostoria, Ohio.
 Frank, Moe, 604 West Fortieth Street, New York City.
 Freise Packing Co., 3654 Gravois Avenue, St. Louis, Mo.
 Freund, Charles A., Rachel and Henshaw Streets, Cincinnati, Ohio.
 Freund, Ernest, 1215 West Liberty Street, Cincinnati, Ohio.

- Freund Packing & Manufacturing Co., St. Joseph, Mo.
 Frye & Co., Seattle, Wash.
 Fuhrman, L. P., 1010 Clinton Street, Buffalo, N. Y.
 Fullerton & Co., D., Warren and East Fifth Street, Paterson, N. J.
 Gall, S. W., 2119-2125 Freeman Avenue, Cincinnati, Ohio.
 Gebelein, John A., 731 North Castle Street, Baltimore, Md.
 Godel & Sons, E., foot South Street, Peoria, Ill.
 Goldberg, Moses, Brighton Abattoir, Brighton, Mass.
 Gordon & Co., Walter, 406 Mystic Avenue, Somerville, Mass.
 Gotham Packing Co. (Inc.), 352 Johnson Avenue, Brooklyn, N. Y.
 Greenwald Packing Co., Union Stock Yards, Baltimore, Md.
 Guggenheim Bros., Forty-sixth Place and Parker Avenue, Chicago, Ill.
 Gumz & Co., R., 125 Muskegon Avenue, Milwaukee, Wis.
 Haehnle, Erhardt, 1817 John Street, Cincinnati, Ohio.
 Hagan & Cushing Co., Moscow, Idaho.
 Halligan, Thomas, 606 West Fortieth Street, New York City.
 Hammond, Standish & Co., 341-363 Twentieth Street, Detroit, Mich.
 Hardy, Charles S., 710-722 Sixth Street, San Diego, Cal.
 Hart & Bros. Co., The, Fifth and Poplar Streets, Wilmington, Del.
 Hauser Packing Co., Box A, Arcade Station, Los Angeles, Cal.
 Hausman & Sons, George (Inc.), Fifty-first and Westminster Street, Philadelphia, Pa.
 Haverhill Abattoir Co., Hillsdale Street, Haverhill, Mass.
 Heil Packing Co., 2216 La Salle Street, St. Louis, Mo.
 Heinbold & Co., K., 808 North Chester Street, Baltimore, Md.
 Henneberry & Co., South Summit Street, Arkansas City, Kans.
 Hoffman Packing Co., John, 2131 Baymiller Street, Cincinnati, Ohio.
 Hoffman's Sons Co., The John, 2148 Coleraine Avenue, Cincinnati, Ohio.
 Hohman & Sons, C., 2038 East Monument Street, Baltimore, Md.
 Holsinger Co., S. M., Morristown, Tenn.
 Home Packing & Ice Co., First and Chestnut Streets, Terre Haute, Ind.
 Hormel & Co., George A., Austin, Minn.
 Houlton Dressed Meat Co., Pleasant Street, Houlton, Me.
 Houston Packing Co., Houston, Tex.
 Hull & Dillon Packing Co., The, Pittsburg, Kans.
 Independent Packing Co., Forty-first and Halstead Streets, Chicago, Ill.
 Indianapolis Abattoir Co., Morris Street and White River, Indianapolis, Ind.
 Indian Packing Co., Green Bay, Wis.
 Inland Meat Co. (Ltd.), Bridge Street, Clarkston, Wash.
 Inter-County Cooperative Packing Co., New Richmond, Wis.
 Interstate Packing Co., Winona, Minn.
 Interstate Vaccine Co., Kansas City, Mo.
 Iowa Packing Co., Des Moines, Iowa.
 Jacksonville Packing Co., Jacksonville, Ill.
 Jockers, John, 1907 Dunlap Street, Cincinnati, Ohio.
 Jones Dairy Farm, The, Fort Atkinson, Wis.
 Jones & Lamb Co., Pennsylvania and Fulton Avenues, Baltimore, Md.
 Juengling, Gustav, 2869 Massachusetts Avenue, Cincinnati, Ohio.
 Kahn's Sons Co., The E., 519 Livingston Street, Cincinnati, Ohio.
 Kaiser, George, 81 North First Street, Kansas City, Kans.
 Kansas Packing Co., Fourth Avenue east, Hutchinson, Kans.
 Kaufman Beef Co. (Inc.), Union Stockyards, Baltimore, Md.
 Kingan & Co. (Ltd.), Union Stockyards, Indianapolis, Ind.
 Klinck Bros., 588 Howard Street, Buffalo, N. Y.
 Klink Packing Co., C., 37 Depot Street, Buffalo, N. Y.
 Kohrs Packing Co., 1343 West Second Street, Davenport, Iowa.
 Krey Packing Co., Twenty-first Street and Bremen Avenue, St. Louis, Mo.
 Kriel, Charles G., 7 West Henrietta Street, Baltimore, Md.
 Kroger Grocery & Baking Co., Bank and Winchell Streets, Cincinnati, Ohio.
 Kuhn, Michael, jr., 3098-3100 Coleraine Avenue, Cincinnati, Ohio.
 Kurdle Co., The Thomas J., 3811 Eastern Avenue, Highlandtown, Md.
 Lake Erie Provision Co., The, Cleveland, Ohio.
 Layton Co., The, Muskego Avenue, foot Thirteenth Street, Milwaukee, Wis.
 Lehman, C., 321 Johnson Avenue, Brooklyn, N. Y.
 Levy, Aaron & Co., 262 Hudson Avenue, Brooklyn, N. Y.
 Levy, M. & D., 224 Ninth Street, Brooklyn, N. Y.
 Lohrey Packing Co., 2827-2829 Massachusetts Avenue, Cincinnati, Ohio.

- Louisville Provision Co. (Inc.), 914-920 East Market, Louisville, Ky.
 Lowenstein's Sons Co., The A., John and Livingston Streets, Cincinnati, Ohio.
 Luer Bros. Packing & Ice Co., 707-719 Second Street, Alton, Ill.
 McMillan Co., J. T., St. Paul, Minn.
 Manhattan City Dressed Beef Co., 403-405 East Forty-fourth Street, New York, N. Y.
 March Packing Co., The A. H., 139 Front Street, Bridgeport, Pa.
 Martin Co., D. B., Union Stockyards, Baltimore, Md.
 Martin, The D. B. Co., of Delaware, Market and Thirtieth Streets, Philadelphia, Pa.
 Maynes, R. J., 3034-3036 Market Street, Philadelphia, Pa.
 Meyer Packing Co., The H. H., Central Avenue, Cincinnati, Ohio.
 Meyer's Sons, Henry, 2855 Sidney Avenue, Cincinnati, Ohio.
 Miller, Charles & Co., 37-42 Secaucus Road, North Bergen, N. J.
 Miller & Hart, Forty-fifth Place and Packers Avenue, Chicago, Ill.
 Mindick, M., Brighton Abattoir, Brighton, Mass.
 Missouri Valley Serum Co., 50 North Second Street, Kansas City, Kans.
 Morrell & Co., John, Haynes Street, Ottumwa, Iowa.
 Morristown Packing Co., Morristown, Tenn.
 Morristown Produce & Ice Co., Morristown, Tenn.
 Mulford Co., H. K., 428 South Thirteenth Street, Philadelphia, Pa.
 Murray & Co., Frank J. (Inc.), Chester, N. Y.
 Natchez Dressed Beef Co., Natchez, Miss.
 Neuhoft Abattoir & Packing Co., 1310 Adams Street, Nashville, Tenn.
 Newhof, Lewis, 410 South Pearl Street, Albany, N. Y.
 New York Veal & Mutton Co., First Avenue and Forty-third Street, New York City.
 Nuckolls Packing Co., Pueblo, Colo.
 Ogden Packing & Provision Co., Ogden, Utah.
 Ohio Provision Co., The, Clark Avenue, and Big Four, Cleveland, Ohio.
 Olathe Packing Co., Olathe, Kans.
 Old Dutch Market, Washington, D. C.
 Paggendick, Daniel, 1815 John Street, Cincinnati, Ohio.
 Pancero, Charles, 2871 Massachusetts Avenue, Cincinnati, Ohio.
 Pancero, Howard, 260 Stark Street, Cincinnati, Ohio.
 Paresky, I., Brighton Abattoir, Brighton, Mass.
 Parker, Webb & Co., Michigan Avenue and Twentieth Street, Detroit, Mich.
 Pearl Packing Co., 710 North West Street, Madison, Ind.
 Penley, E. W., 37 Knight Street, Auburn, Me.
 Pfaelzer, Louis & Sons, 3927-3943 South Halstead Street, Chicago, Ill.
 Pfund & Sons, G. F., 3945 Germantown Avenue, Philadelphia, Pa.
 Plaut, Samuel, 407 East Forty-fourth Street, New York City.
 Rath Packing Co., Elm & Sycamore Streets, Waterloo, Iowa.
 Reading Abattoir Co., 216-232 Pine Street, Reading, Pa.
 Rehn, W. G., 441 Bank Street, Cincinnati, Ohio.
 Reiland Packing Co., Grand Rapids, Wis.
 Roberts & Oake, Forty-fifth and Center Avenue, Union Stock Yards, Chicago, Ill.
 Rohe & Bro., 527 West Thirty-sixth Street, New York City.
 Rosslyn Packing Co., Rosslyn, Va.
 Routh & Co., W. C., Logansport and S. W. Pike, Logansport, Ind.
 Royal Serum Co., The, Kansas City, Kans.
 The Ruddy Packing Co., Kansas City, Kans.
 Rupp Packing Co., The George, Sycamore Street and Monument Avenue, Hamilton, Ohio.
 Sahlen Estate, Joseph, 318 Howard Street, Buffalo, N. Y.
 St. Louis Independent Packing Co., 3857 Chateau Avenue, St. Louis, Mo.
 San Antonio Meat Co., Pomona, Cal.
 Sander Packing Co., A., 1024 Gest Street, Cincinnati, Ohio.
 Sartorius Provision Co., 2734 Arsenal Street, St. Louis, Mo.
 Scanlan, J. M. & P., 613 West Fortieth Street, New York City.
 Schenck & Sons Co., Center and Second Streets, Fulton, Wheeling, W. Va.
 Schlachter's Sons, Jacob, 2831 Coleraine Avenue, Cincinnati, Ohio.
 Schloss, Held & Schloss, Avenue D and Astor Street, Newark, N. J.
 Schludenburg & Son, William, Bank and Third Streets, Highlandtown, Md.
 Schroth Packing Co., The J. & F., Cormary Street, Cincinnati, Ohio.
 Seltzer Packing Co., Water Street, Pottsville, Pa.

Siegel-Hechinger Packing & Provision Co., 968-970 Thirty-eighth Place, Chicago, Ill.

Sihler Hog Cholera Serum Co., The, 1602 West Sixteenth Street, Kansas City, Mo.

Standard Serum Co., The, 11 South Second Street, Kansas City, Kans.

Statter & Co., Leech Street and Floyd River, Sioux City, Iowa.

Stolle, Anton, & Sons Packing House, 40 Liberty Avenue, Richmond, Ind.

Stoppenbach's Sons, C., Jefferson, Wis.

Strauss & Adler, 606-611 West Fortieth Street, New York City.

Sucher Packing Co., The Charles, North Western Avenue, Dayton, Ohio.

Sullivan Packing Co., 256 Beecher Avenue, Detroit, Mich.

Tovrea & Co., E. A., Bisbee, Ariz.

Tazewell Packing Co., North Tazewell, Va.

Theurer-Norton Provision Co., The, Stock Avenue and West Sixty-third Street, Cleveland, Ohio.

Twin City Packing Co., 210 Bellevue Street, Menominee, Mich.

Ulmer Packing Co., Jacob, Walnut and Railroad Streets, Pottsville, Pa.

Valentine Meat Juice Co., High & Goddin Streets, Richmond, Va.

Van Dyck Co., L. H., Gardiner, Mont.

Vissman & Co., C. F., 417 Bickle Avenue, Louisville, Ky.

Vogel & Son, Jacob, 2604 Coleraine Avenue, Cincinnati, Ohio.

Vogt & Son, F. G., Thirtieth and Race Streets, Philadelphia, Pa.

Washington Abattoir Co., Bennings, D. C.

Ware County Light & Power Co., 52 Wall Street, New York City. (See Waycross Packing Co., Waycross, Ga.)

Weill & Isaacs, 244 Hudson Avenue, Brooklyn, N. Y.

Western Packing & Provision Co., 3854 Morgan Street, Chicago, Ill.

White, J. & D. M., Brighton Abattoir, Brighton, Mass.

Williams Live Stock Co., The, Hallstead, Pa.

Wilmington Abattoir & Cold Storage Co., 220 Tatnal Street, Wilmington, Del.

Wilson Provision Co., Foot South Street, Peoria, Ill.

Wolff Packing Co., Charles, Topeka, Kans.

Zehler Provision Co., The George, 1705 Logan Street, Cincinnati, Ohio.

Zehner Bros. Packing Co., The, Union Stock Yards, Toledo, Ohio.

Zoller Co., William, 350 Spring Garden Ave., Pittsburgh, Pa.

Mr. SWEET. Can you give the percentage of meat that is transported by refrigerator cars owned by the packers?

Mr. COLVER. I can not do it now, but I have hoped to be able, perhaps to-morrow, to go into the whole refrigerator-car matter, and that would be, of course, one of the essential things in any such an examination.

Now, I do not want to be understood——

BIG PACKER PROPORTION OF INTERSTATE SLAUGHTER AT 12 MARKETS AND ELSEWHERE.

Mr. RAYBURN (interposing). Let me ask you there—you read some figures there about the number of cattle purchased in the 12 great markets, and the percentage that was bought by the five big packers. That does not represent, of course, the percentage of cattle in the country that are packed by other packers outside of these five?

Mr. COLVER. When you ask whether it does not represent it, you mean that that percentage does not?

Mr. RAYBURN. Yes.

Mr. COLVER. No.

Mr. RAYBURN. Now, could you give us that?

Mr. COLVER. I was just about to say—I think the beginning of my sentence will show that I started to say this: I do not want to be understood as saying that these figures which I have given now are figures for the total sale or purchase of live stock in the country. I am saying this: That these figures represent a very great proportion and represent all the animals sold at the 12 greatest markets.

Mr. RAYBURN. What percentage of the cattle sold in the different markets of the country are sold in those 12? Do you know?

Mr. COLVER. I would like to give you—I can give you, but not at the moment—I would like later to give you those figures, because they are very interesting and very illuminating.

Mr. RAYBURN. I think they ought to go in right there, and following the statement of the percentage bought by the five big companies at the 12 big markets, that it would only be fair to put in right after that the number of cattle bought there and other places in the country by independent packers.

Mr. COLVER. Yes; exactly. And, as I say, I was about to say that I did not want to be understood as having said this figure just given is the figure you are speaking of—

Mr. RAYBURN (interposing). I understand.

Mr. COLVER. Because I certainly do not want to make any statement here that is a special pleading. That is not what we are here for.

Mr. STEPHENS. You give the percentages of independent purchases in these markets in your figures.

Mr. RAYBURN. That is not an answer to my question at all.

Mr. COLVER. I was just saying I would present the other figure as soon as possible.

(The figures referred to were subsequently furnished and are here inserted, as follows:)

1916.	Cattle.		Calves.		Sheep.	
	Head.	Per cent.	Head.	Per cent.	Head.	Per cent.
Total at the 12 great markets.....	6,440,140	100.0	1,410,854	100.0	9,552,943	100.0
Big Five.....	6,081,698	94.4	1,257,151	89.1	9,005,559	94.3
All other interstate.....	358,442	5.6	153,703	10.9	547,384	5.7
Total elsewhere in United States.....	1,507,658	100.0	749,696	100.0	2,619,320	100.0
Big Five.....	453,634	30.1	397,791	53.1	1,513,315	57.8
All other interstate.....	1,054,024	69.9	351,905	46.9	1,106,005	42.2
Grand total, United States.....	7,947,798	100.0	2,160,550	100.0	12,172,263	100.0
Big Five.....	6,535,332	82.2	1,654,942	76.6	10,518,874	86.4
All other interstate.....	1,412,466	17.8	505,608	23.4	1,653,389	13.6

1916	Swine.		Total.	
	Head.	Per cent.	Head.	Per cent.
Total at the 12 great markets.....	24,399,923	100.0	41,803,870	100.0
Big Five.....	19,768,776	81.0	36,113,184	86.4
All other interstate.....	4,631,157	19.0	5,690,686	13.6
Total elsewhere in United States.....	17,657,479	100.0	22,534,143	100.0
Big Five.....	5,968,493	33.8	8,333,233	37.0
All other interstate.....	11,688,976	66.2	14,200,910	63.0
Grand total, United States.....	42,057,402	100.0	64,338,013	100.0
Big Five.....	25,737,269	61.2	44,446,417	69.1
All other interstate.....	16,320,133	38.8	19,891,596	30.9

Mr. HAMILTON. How far do your investigations show that the packing concerns outside of the five so-called great packers are influenced by the price paid by the five packers? In other words, is there competition or is there not?

Mr. COLVER. The cattle market primarily is made in Chicago. Then secondarily it is made in the other 11 great cattle markets, and the other 11 great cattle markets reflect the Chicago price to a degree. Other transactions in smaller markets, and local trans-

actions, are on the basis of the going market. Now the purchases of 94.4 per cent of the cattle in the 12 great markets, if five concerns so purchase that a cumulative percentage of the purchases, week by week, shows no variation, and so no competition; those five purchasers, buying on an agreed—or at least in a way that works out as if it were an agreed—percentage, must make the market, and, having made the market, other people must buy or do buy at the market.

Mr. HAMILTON. That is, you discover that, whether by coincidence or otherwise, the packing organization outside of the five packers are paying substantially the same prices for meat on the hoof as are paid by the five packers; and they are selling the finished product at substantially the prices received by the five packers?

Mr. COLVER. Exactly so.

Mr. HAMILTON. In other words, the figures given by them are the governing figures, the index figures. That is your conclusion?

Mr. COLVER. Yes, sir; it is.

Mr. HAMILTON. I want before we finish—or when you return—to ask you something about the returns to the packers on by-products, so called, of slaughtered animals. It is somewhat interesting and I know very little about it. I assume you have had occasion to investigate. I am told that there is a considerable return from by-products and that some of the uses of these by-products are in the nature of trade secrets.

(Mr. Colver submitted the following in answer to Mr. Hamilton's question concerning the packers' returns on by-products:)

BY-PRODUCT PROFITS.

The books of the five chief packers operate according to an accounting system which usually shows losses on main products (carcass meats), and profits—sometimes very large profits—on so-called by-products. Thus, Armour & Co., in the fiscal year 1916, the most profitable year that the company had ever known to that time, exhibited an aggregate loss in the "dressed beef" departments of their 11 chief packing plants of \$1,438,761, while a gain of \$3,156,901 was shown in the primary by-product departments during the same period.

Armour & Co.

1916—52 weeks.	Dressed-beef department losses.	"Beef section" ¹ by-product profits.	1916—52 weeks.	Dressed-beef department losses.	"Beef section" ¹ by-product profits.
Chicago.....	\$636, 615	\$854, 448	New York.....	\$10, 851	\$327, 575
Kansas City.....	256, 649	678, 519	Hamilton.....	19, 981	23, 355
Omaha.....	178, 406	561, 987	Denver.....	30, 935	65, 318
St. Louis.....	107, 060	231, 386	Fowler.....	* 31, 042	6, 305
Fort Worth.....	27, 946	196, 489			
Sioux City.....	54, 423	74, 743	Total.....	1, 438, 761	3, 156, 901
St. Joseph.....	84, 853	136, 776			

¹ Includes the following departments: Hides, oleo, casings, beef tanks, vinegar-pickled beef products, fresh beef products, beef cutting, beef curing, dried beef.

That Armour & Co. put little faith in the above losses on beef, as exhibited by the books of the "dressed-beef department," is attested by the practice of combining both the beef losses and the primary by-product profits into one net total when figuring the profit per pound of beef sold. This area of doubt as to what is the true profit or loss on meat, as against the true profit or loss on live-stock by-products, extends over the whole field of packers' departmental results. No two packers select the result of the same departments when they are working up profits per pound or per head for public announcement. Thus the difference between Armour and Swift methods is well illustrated by the following letter:

[Private.]

CHICAGO, June 23, 1916.

Messrs. LOUIS F. SWIFT, EDWARD F. SWIFT:

Referring to Henry Veeder's letter June 13 to L. F. S. regarding Borland resolution, in which Mr. Meeker is quoted as saying that Armour made a profit of \$1.19 per head on cattle for certain period (ours for same period \$1.28 per head):

Mr. Chaplin understands that Armour's includes their canners, which ours does not, part of their sausage results, and has 10¢ added per head for good measure for by-products transferred at market prices which ours does not.

If our and Libby's cattle were thrown together for the period, without including sausage or anything for good measure, it would bring ours up over \$2 per head.

Mr. Chaplin didn't think there could be as much difference as this, but checked it pretty close and understands definitely that theirs includes all of the above-mentioned, which ours does not.

CHARLES H. SWIFT.

In other words, had Swift included canning, sausage, and 10 cents for good measure, as did Armour, in figuring a profit per head, Swift would have had to report a total of \$2, rather than the \$1.28 per head actually reported.

In spite of these difficulties, which the packers are quick to recognize when public information in regard to profit is required, the books go along year after year, recording departmental profits and losses with apparent finality. Here, for instance, are book results of certain by-products departments during the past few years:

	1912	1917		1912	1917
Armour & Co.			Swift & Co.:		
Oleo.....	\$559,543	\$1,247,861	Oilhouse.....	\$1,343,700	\$119,997
Wool and pelts.....	275,988	983,014	Lard.....	555,033	2,368,887
Fresh sausage.....	299	1,348,408	Soap.....	1,535,104	564,918
Canned meats.....	85,339	1,447,651	Glue.....	170,771	1,214,238
Glue.....	187,264	1,453,651	Leather.....	1,490,462	5,214,292
Fertilizer.....	418,590	2,737,691	Cudahy Packing Co.,		
Leather.....	604,741	2,431,887	glycerine.....	68,108	396,521

¹ Loss.

According to their own methods, the packers exhibit some very large profits in so-called by-products during the fiscal year 1918; as follows:

Company.	Department.	Profit on investment. ¹
		Per cent.
Morris & Co.....	Glue.....	123
	Beef extract.....	135
Armour & Co.....	Mince meat.....	91
	Pork and beans.....	118
	Gut strings.....	97
Swift & Co.....	Animal food.....	93
	Fertilizer.....	117
Cudahy Packing Co.....	Pepsin.....	148
	Glycerine.....	65

¹ Including borrowed money.

NOTE.—Interest is not included as an operating charge in arriving at these profits.

These figures may reflect in a very general way the profitableness of certain by-products, but because of the fact that the raw material costs upon which these results are based start from a transfer value so low as to almost invariably produce a book loss in the main-product meat department—an obvious distortion of the facts which the packers admit—these by-products profits must accordingly usually be too high and meat profits too low.

In fact the line between packers main products and by-products has never been clearly drawn. Animals are killed for their hides and fats as well as for their meat, and when certain lesser products, such as glycerin, command a very high price due to a sharply increased demand the buyer of live stock takes this factor into consideration when naming the price he will pay. Cer-

tainly in an economic sense hides, fats, fertilizer, and perhaps other products are, due to their enormous importance in society, not by-products at all, but main products only less important than meat.

According to the packers' system of bookkeeping, however, a system which the commission questions, the dressed meat of the steer, calf, sheep, and the various primary cuts of the hog are regarded as the sole main product, all other parts of the animal being merely by-products.

The main products, so called, are handled in an accounting department known as "Dressed beef" department, "Dressed mutton" department, "Fresh pork cuts" department, etc., the total live cost of the animal being charged thereto, together with the killing and dressing expenses. The department is credited with sales of meat, and also with the transfers of all remaining material to other so-called by-product departments, such as hide department, oleo department, casings department, fertilizer department, bone-house department, etc. A profit or loss is then calculated periodically on the operations of the main-product department, which figure gives the packers the basis of their statements as to profits on meat. Similar figures are calculated for by-product departments, which give the basis for packers' statements as to profits on by-products.

Meanwhile the so-called by-products are transferred to their own particular department at a price which is said to be determined by prevailing market conditions. This transfer value is the great weakness of the present accounting methods of the packers so far as accurate determination of profits by individual products is concerned. Based on a "market" rather than a cost valuation, a "market" which is often unknown or "made" by the big packers themselves, the possibility of throwing profit from the main product to the by-product, or vice versa, by taking the transfer price only a fraction of a cent higher or lower becomes unlimited. By depressing the transfer price of hides, for instance, beef profits are lowered and hide profits inflated. By raising the transfer price of dried blood meat profits are increased and fertilizer profits diminished.

However conscientiously the packers may endeavor to establish fair and reasonable transfer prices, the very fact that there is no outside market standard upon which to securely base them (Swift & Co. testified that they got their prices chiefly "out of their heads"), and even if there was a standard, the fact that the whole principle of market transfers is, from the accounting-viewpoint, unscientific renders the exact determination of profits by main products versus by-products impossible. And, further, if, as the commission can prove, the packers have not always conscientiously valued their transfers at the market, when market quotations happened to be available, the situation becomes increasingly confusing and hopeless.

It is the opinion of the commission that the packers' books as now kept have never shown a scientific or reliable distinction between the profits of meat products and the profits of by-products. For not only do transfer values produce confusion, but the pricing of inventories (where market not cost is again the basis), the distribution of overhead expense, the distribution of branch-house and car-route profits back to the plant departments, and numerous other matters, present difficulties which, while theoretically soluble, have never been scientifically and uniformly worked out for the packing industry. Thus it is found that the packers as a rule load their main office administrative expense almost entirely on their packing plants, leaving their outlying by-products plants (tanneries, fertilizer plants, and the like) comparatively free from a burden which strictly they should share. Only a sweeping revision of the whole procedure of allocating indirect expenses can bring about a situation in this field alone which would warrant the commission and the public in accepting with confidence the cost and profit figures here prepared. The five chief packers use widely varying methods at present, and it is obvious that if one method is right the other four are ipso facto unreliable.

Neither the commission, the packers, nor anyone else is in a position to state authoritatively what profits have been made in meat as against by-products during the packers' history. The only certain thing is that on the animal as a whole great and accelerating profits have been made. Starting with an initial capitalization of \$160,000 in 1867 (and it is not certain that this was paid in cash), the stockholders of Armour & Co. have an equity to-day valued on the books at over \$160,000,000, or a thousand times the original capitalization—after having drawn out some twenty-eight millions in dividends and never having invested an additional dollar in cash during the 50 years—so far as the commission can learn.

Armour & Co.—and the same can be said of the others—has made enormous sums of money in the packing business. The margin between what they pay for live animals and what they receive for all the resulting products has always been sufficient to pay all expenses, including large and questionable overhead disbursements, and have a profit great enough not only to satisfy the stockholders but to build and buy new plants and to greatly extend their control in other lines of business. For it must never be forgotten that the packers have grown out of excess profits, not out of new cash capital. The fact that they always have made money, with or without the modern extensive fabrication of by-products, naturally points to the fact that they know how to buy the animal in the cheapest market and sell his products in the dearest, and that when the business as a whole shows large earnings it is reasonable to assume that both the meat and the other product have been profitable. Certainly lacking a scientific cost system, the question as to where exactly the profit has been made can never be answered.

EFFECT OF COMBINATION ON INDEPENDENT PACKERS.

Mr. DOREMUS. Mr. Colver, I think what the committee is interested in now in connection with this live-stock pool is its effect upon the general meat industry of the country. Now, of course, there are a lot of independent packers scattered throughout the country. I think there are a number in Detroit, independent packing houses who have no connection with this so-called pool. Now, these figures which you have submitted would lead one to believe that the live-stock pool impairs to a greater or less extent the ability of these independent operators to purchase a sufficient amount of live stock for their business. What I would like to ask you is whether the commission has reached any conclusion as to the effect of the live-stock pool upon the independent packing houses. Do I make the question clear to you?

Mr. COLVER. Yes. It is difficult to sum up in a single answer what will amount to a general and sweeping conclusion of the commission, but my own understanding of the belief of the other members of the commission is that the practical effect of this present situation is that the independent concern exists by sufferance. Some of them are very tough-fibered, and they are living through some pretty hard times, but they continue to live, some of them, but they are disappearing; it is not now an industry that attracts independent capital. Now, much is said to the effect that to reasonably limit and reasonably restrain these five great concerns is unfair in that it discourages them in the investment and employment of further capital in this business. On the other hand, their unrestrained and uncontrolled operations make this industry just about the least attractive in this country for the investment of any other person's capital. So that if we are thinking about making investments of capital in packing safe and attractive, there are both sides to be thought of, and I say that the final conclusion is that the size of these companies, the special advantages which they have, the interacquaintanceship which they have and the interrelations and the interagreements which they have, do make the business of the independent packer a precarious one, an unattractive one for new capital, and to a very great measure those independents continue in business by sufferance.

Mr. DOREMUS. Well, now, following that up, would the capitalist hesitate to invest his money in an independent packing concern because of his fear of the inability of the independent packing concern to get its proper supply of live stock by reason of the existence of this pool?

Mr. COLVER. Yes.

Mr. HAMILTON. One question in that connection—

Mr. MURDOCK (interposing). Mr. Hamilton, will you permit me for a moment—I do not know whether you are willing to go into it or not, but I think it is applicable here, and if you can state it I would like to have you state the situation as to Austin, Minn.

Mr. COLVER. If it is agreeable to the committee I would like to have Mr. Murdock state that, because he is familiar with the situation.

Mr. HAMILTON. Before you do that, I just want to ask one question and then that will leave the field open for the discussion of this particular town.

Is there evidence of combination among the packers outside of the so-called five great packers?

Mr. COLVER. Yes; there are indications of local agreements—not interstate agreements, but local agreements in various towns where there are two or more independents.

Mr. HAMILTON. I have in mind now independent packers who are doing an interstate business, who have grown to a size sufficient to be doing an interstate business.

Mr. COLVER. My use of the word "interstate" there was unfortunate. I meant that as to independent packers in various States, widely separated, we find no evidence at all of any understanding between them, but as to independent packers, two or more of them in the same locality, we do find some evidence there of local agreements.

Mr. HAMILTON. Now, these packers outside of the so-called five great packers, do any of them have cars?

Mr. COLVER. Yes; some of them have cars.

IOWA HOGS.

Mr. SWEET. Right in that connection, I would like to ask a question, so that the record may show the condition in Iowa.

Is it possible for you to state the percentage of hogs each year that go to the five great packers from Iowa?

Mr. COLVER. I had the Iowa figures here the other day, but I did not bring them this morning. I will bring them later.

Mr. SWEET. Now, I would like to have you put into the record the percentage of cattle and the percentage of sheep and the percentage of hogs that are produced in Iowa each year, that go to the five great packers.

Mr. COLVER. We will do the best we can on that, and I think we can give you the full figures.

(The following was furnished subsequently in answer to the question:)

IOWA HOGS WHICH ARE BOUGHT BY THE FIVE BIG PACKERS.

It is impossible to state just what percentage of the hogs sold by the farmers of Iowa in any one year is bought by the five big packing companies. A large number of the Iowa hogs are sold on markets outside of Iowa—at Omaha, St. Paul, and Chicago, and to some extent at St. Joseph, Kansas City, St. Louis, and other markets.

The records of the big packing companies do not show the origin of the hogs which they buy; therefore it is impossible to state just what number of Iowa hogs they buy on these markets. It is known, however, that the Big Five at Omaha and St. Paul buy over 90 per cent of all hogs sold on those markets; and at Chicago they buy over 40 per cent. A considerable number of hogs are country bought by the big packers in Iowa, but the commission has not available the exact number which are so bought.

In the year 1916 the number of hogs slaughtered at the packing plants located in Iowa owned by the Big Five were as follows:

Wilson & Co. (Inc.) (T. M. Sinclair & Co., Cedar Rapids)-----	584,259
Armour & Co., Sioux City-----	680,000
Cudahy Packing Co., Sioux City-----	593,324
Total -----	1,857,583

In the same year the independent packing companies located in the State of Iowa, according to their returns, slaughtered 1,335,254 hogs.

The CHAIRMAN. Now, what is it you want to say, Mr. Murdock?

INDEPENDENT PLANT AT AUSTIN, MINN.

Mr. MURDOCK. I want to answer the question of Mr. Doremus as to whether or not the independent packer is robbed of the chance at the market by the circumstance that the larger packers take away the supply of raw material—of live stock.

In my travels about the country I came once into the town of Austin, Minn. It is a town of about 10,000 people—a beautiful town situated by a little lake not very far north of the Iowa border, and it is peculiar in this, that it is surrounded by east and west railroads and north and south railroads; railroads running through Iowa and St. Paul, Minn., railroads that go east and west from Sioux Falls and Sioux City and Chicago. Not all of those railroads go into Austin. In the city of Austin I found a very fine packing plant, an old institution which had grown up with the city and which had maintained itself against the larger packers. During this investigation—and this answers your question directly—it was discovered that the larger packers, the five big packers—or some of them—had established around the city of Austin, Minn., concentration buying places, places where stock could be intercepted on its way into Austin, taken away from Austin and shipped into Chicago.

Now, I had some hesitation in bringing this up, because I did not want to reveal particularly that here is a fine independent packing establishment which is working under some hardship and which in the course of events in the development of this industry and the concentration of control will finally disappear. But that is a notable example of how it can be done. It may be that a little later the establishment at Austin will be tendered financial help. I can say that if it is tendered financial help, it will probably be from one of the banks in coalition with one of the big packers; and if I were a prophet, I would predict that in 5 or 10 years that establishment will not be in independent existence.

Mr. DOREMUS. The permanency of this independent packing house in Austin is dependent upon its becoming, sooner or later, affiliated directly or indirectly with the five big packers?

Mr. MURDOCK. Yes; though I would not call it "affiliation." I think it would be an absorption.

Mr. HAMILTON. In your observation were these suburban buying stations, so to speak, doing a competitive business? You say they were intercepting stock on its way to Austin.

Mr. MURDOCK. And giving a price for the live stock, of course, which purchased it.

Mr. HAMILTON. So that the producer in that case was given the benefit of competition?

Mr. MURDOCK. Always; temporarily.

Mr. DOREMUS. What about the consumer; where did he get off?

Mr. MURDOCK. The answer to Mr. Hamilton's question is this: Of course, while these larger packers are intercepting the supply of the Austin institution, the price must have been up, necessarily, because there was increased competition, but in the end, when the institution at Austin has disappeared, and in the long run, the producer of the live stock will get less, because with the disappearance of the competitor in the long run the competitive price would not be offered the producer of live stock.

Mr. HAMILTON. And they would push the price to the level fixed by the powers controlling it.

Mr. ESCH. Mr. Murdock, the Austin plant is largely making hog products, is it not?

Mr. MURDOCK. Yes.

Mr. ESCH. Is it a fact that an independent who goes largely into the manufacture of hog products can stand the competition of the packers longer and better than the independent plant that deals for instance in beef products?

Mr. MURDOCK. Yes, sir.

Mr. ESCH. Is that due to the fact that there are less by-products in hog meats than in cattle meats, and that the advantage of the big packers in their by-products does not obtain so largely in the case of hog products?

Mr. MURDOCK. That must undoubtedly be an element, and the further element, as Mr. Colver cited, is the fact that a considerable portion of the hog can be smoked or salted down and that there is not the same intimate relation between the salted part of the hog and the especially equipped refrigerator car as there is between fresh beef and the refrigerator car.

The CHAIRMAN. In other words, hog meat can be cured by the slaughterer, whether he is a packer or not, and kept and sold as cured meat, whereas beef can not be handled in that way.

Mr. MURDOCK. Unquestionably, the retreat of the independent packer is into the hog business.

Mr. DILLON. Mr. Murdock, I want to ask you a question there. In this investigation did you find that these five packing companies paid a higher price at Austin than they did at other points of shipment?

Mr. MURDOCK. I don't recollect that, but I think that is a natural corollary of my statement.

Mr. DILLON. And there was more competition there than there was at other points?

Mr. MURDOCK. Yes.

DENVER "PLANT CAPACITY."

Mr. COLVER. I suppose you are just about to close, Mr. Chairman, and before you do close, in just a moment, perhaps, I can give something that I wanted to give with respect to Mr. Sweet's question of the plant-capacity theory, and I want to quote from a letter written by Philip D. Armour, 3d., to Mr. J. Ogden Armour; written from Denver, October 19, 1915, which, I think, tends to dispose of this plant-capacity theory, and sheds a little light on whether or not there is any agreement as to division of purchases between the big packers. I read from the letter, as follows, without reading it all—it is all on page 76, part 2 of the commission's report, which is before you:

Swift's plant, from what I hear and from the little I saw of it, is far ahead of ours—

That is, the Swift plant at Denver is far ahead of the Armour plant at Denver—

both as to size and condition. Of course, as you know, everything here is done on a 50-50 basis, and with the facilities we have it is almost impossible to keep up this ratio.

That is to say, again the plant-capacity theory does not stand up. Here is a market which has grown so that the agreed division of 50-50 has outgrown or is pressing sorely the capacity of one of the two plants, and if that plant—if the Armour people want to continue to be able to absorb 50-50 in the growing receipts of Denver they must increase their plant capacity; not to measure the amount of stock they buy by the capacity of the plant, but to measure the capacity of the plant they must have by the agreed division of the purchases in that market. I think that is a fair inference, a fair statement of what he was trying to tell his uncle.

The CHAIRMAN. Mr. Colver, there is a call of the House, and the committee will have to adjourn. Can you be back promptly at 10.30 to-morrow morning?

Mr. COLVER. Yes, sir.

The CHAIRMAN. We will adjourn, then.

(Whereupon, at 12.15 o'clock p. m., the committee adjourned until 10.30 o'clock a. m., Saturday, January 4, 1919.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE;

HOUSE OF REPRESENTATIVES,

Saturday, January 4, 1919.

The CHAIRMAN. The committee will come to order. Mr. Colver, you may proceed in your own way and make any further statement that you desire.

I believe you were going to submit some statements supplementing what you said yesterday. Have you those ready now?

Mr. COLVER. There were three statements, as I remember it.

The CHAIRMAN. It does not make any particular difference; but I thought if you had them ready, you might submit them now.

Mr. COLVER. One was a list of the independent packers, and we have not been able to get that all collected and verified and checked. The other thing was an estimate of the total slaughter in the United States, and that figure is not ready. We had to get some Department of Agriculture figures to check against ours. The third thing was the proportion of fresh meats shipped in refrigerator cars owned by the big packing companies; that is, the proportion between the big packing companies and all other companies, and that we will come to in the development this morning of the private car or refrigerator-car question as a whole, which is the thing we want to offer you this morning.

The CHAIRMAN. You may proceed then in your own way.

Mr. COLVER. Then there was a question about the value of the by-products and a statement is being made up but is not ready.

The CHAIRMAN. You can add anything to your statement when you revise your notes, whether you have it here now or not.

Mr. COLVER. And there was also a question about the total number of food animals produced in Iowa and their disposition. I have

not that ready this morning but will have it ready. It is unfortunate that we have so many things on hand and it is difficult to check these things up and be prompt with them. I will bring the statements in very soon.

DEVELOPMENT OF REFRIGERATOR CARS.

Mr. Chairman and gentlemen of the committee, if it will be interesting, this morning we can go somewhat in detail, but briefly, into a general examination of the refrigerator car, and in touching on that we will try to indicate the vital importance of the refrigerator car and some of the uses and abuses of the refrigerator car. In order that it may be quite clear, I will say that we must keep in mind the distinction of the two classes of the refrigerator car, the beef car and the refrigerator car. The word "refrigerator," I suppose, is inclusive of both classes. If we wanted to speak of them in the two classes, we would call one the beef car and the other the ventilator refrigerator car. So that sometimes in speaking of refrigerator car we are speaking inclusively of both beef cars and ventilator cars, but when we are directing your attention to the beef cars themselves, If I should slip and call it a refrigerator car, I will ask Mr. Breimier to correct me because we must keep that distinction in mind in order to have the figures—

The CHAIRMAN (interposing). You say the beef car; do you mean a car used exclusively for the transportation of beef?

Mr. COLVER. Yes; Mr. Chairman, or fresh meats.

The CHAIRMAN. I was going to ask if it would not apply to mutton or pork or any other fresh meat transported, as well as beef.

Mr. COLVER. It would. The essential difference is this, in the first place, the beef car, so called, differs from the ventilator car in that it is equipped with brine tanks in place of bunkers.

The CHAIRMAN. What I meant was, is it used for anything except beef, any other fresh meats?

Mr. COLVER. Yes. I will try to cover that in my description of the car. A beef car is not a ventilator car and is equipped with beef racks, so that the beef can be transported hanging from rails just as you see it in the coolers of the butcher shops. In certain seasons of the year, in cold weather, the ordinary ventilator refrigerator car may also be used for beef, and temporary racks are put in. It is a relatively expensive thing to equip a car with temporary racks, and there is a frequent loss in the failure to have returned to the man who equips a car especially like that the equipment that he puts in, which are the trestles or racks for hanging the beef on, and the meat hooks which go over the rails on which the meat is hung.

You asked if the beef car is not used for other products. It is. It is not only used for any other fresh meats but a car with fresh beef in it is also sometimes filled out as to its cargo with other things, and that is a very important thing to keep in mind as we talk about these beef cars; that is, the filling out of the cargo of the car with things other than fresh beef.

Mr. HAMILTON. May I interrupt there to ask a question? When you refer to refrigerator cars, you mean two kinds of cars, beef cars and ventilator refrigerator cars.

Mr. COLVER. Yes.

Mr. SWEET. And a beef car is one that has in the car racks or hangers for beef?

Mr. COLVER. Yes.

Mr. SWEET. And the beef is suspended from the roof of the car?

Mr. COLVER. From those rails, yes; and the car is equipped with brine tanks in which crushed ice and salt are placed.

The CHAIRMAN. Now, you may proceed, Mr. Colver.

Mr. COLVER. It is probable that the development of the meat packing industry, as we find it to-day, would not have been possible if it had not been for the invention and adaptation of the refrigerator car which later was refined into the beef car; unless that had been done or something equivalent to it, because the transporting of fresh meat for long distances in all weathers can only be accomplished by the use of the refrigerator beef car, or some other method that would arrive at the same end.

It was very necessary. In a sense, it is the foundation of the packing business as at present run. The present principle of circulation of air as a method of refrigeration was first discovered or worked out by William Davis, of Detroit, and was first used by Hammond, of that city. Philip D. Armour, the original Armour in this business, was the man of the big vision who saw the possibilities of the thing. Wait, let me correct that. Gustavus Swift first started the long-distance use of the refrigerator car. Philip D. Armour intensively developed it, and those two men laid the foundation for the meat industry as we find it now when they saw the possibilities of the refrigerator car and developed it and invested their money in it. They certainly rendered an enormous service to the public. The difficulty now is that that extremely useful instrument after having served a wonderful purpose in public service and for the building up of this industry and making it possible to feed the country, has, like many other good things, been abused. It being a big thing and being a useful thing, has gathered around it certain distinct abuses, and we are calling your attention to the abuses around it, suggesting how, if possible, those abuses may be corrected, and that without hardship to the industry or the usefulness of the instrument.

Mr. RAYBURN. Let me ask you right there if I may interrupt you. Has anybody owned these cars and operated them except the packers?

Mr. COLVER. Yes.

Mr. RAYBURN. Do they now?

Mr. COLVER. Yes. I am coming to that in detail in a very few minutes.

Mr. PARKER, of New Jersey. Are they patented or have the patents run out?

Mr. COLVER. The patents have run out. There are minor patents, I suppose, on various things.

Mr. PARKER of New Jersey. Yes; on different things, but the cars can be used free of patents.

Mr. COLVER. Oh, yes; I would say so. Of course, there are minor attachments for refinement of refrigeration.

Mr. PARKER of New Jersey. Oh, certainly, just as there are on typewriters and sewing machines and all that sort of thing, but the use of the main principle is free to the public because the patents have all run out?

Mr. COLVER. Yes; so far as patent control is concerned the device is free to be used by the public, but there are some other difficulties in the way of their general use.

In the beginning the packing companies, especially Swift and Armour, besought the railroad companies to furnish these cars. The railroad companies refused to do it. There were numerous reasons for the refusal, but, briefly stated, these special-service cars represented a very large investment and they were more or less experimental at that time. They were new and therefore the railroads objected to making investment in them.

Mr. PARKER of New Jersey. What date was that, please?

Mr. COLVER. About 1880. It was along in 1880 when the greatest period of railroad expansion was going on, and when the railroads were put to it for capital for their railroad expansion and were not keen to go into any side line like this. The railroads also were in doubt as to the permanency of a large traffic that would warrant an investment in this special-type car, and a third reason was that the railroads had a profitable traffic at that time in live animals, for the shipping of which they had an adequate supply of stock cars, and were satisfied with the transportation situation as it then was.

PROPORTION OF BIG PACKER CONTROL OF REFRIGERATOR CARS.

The use of these beef cars and refrigerator cars has been very greatly extended since 1880, and the ownership of cars as of December 31, 1917—and other cars used in the packing industry—owned by the five big packers and independent packing companies is as follows:

Comparison of cars owned by Big Five packers and the independent packing companies, Dec. 31, 1917.

Kind of car.	Big Five.		Independent packing companies.		
	Number.	Per cent.	Number.	Per cent.	Total.
Beef cars.....	15,454	93.1	1,146	6.9	16,600
Other refrigerator cars.....	1,600	67.0	789	33.0	2,389
Stock cars.....	1,970	100.0	.....	.....	1,970
Tank cars.....	1,049	90.2	114	9.8	1,163
Miscellaneous equipment.....	117	88.0	16	12.0	133
Total.....	20,190	90.7	2,065	9.3	22,255

Mr. COLVER. This table I have just read then shows a comparison of the cars owned by the big packers compared with the cars owned by the independent packing companies as of December 31, 1917.

I will now give you a table showing the percentage of refrigerator cars owned by the big packers and other interests as of December 31, 1917, in which we bring in besides the independent packers other interests which own refrigerator cars, and we give this by percentages. Having given you the car figures before, now we will build up by percentages because that is equally illuminating and makes briefer tables.

Taking all the refrigerator cars and leaving out, Mr. Hamilton, the stock cars now, and dividing them as between beef cars and ventilator cars, the five big packers own 91.6 per cent of all the beef cars in the country. The independent packing companies own 6.8 per cent of the beef cars. The other private car companies other than packers, just private car companies, own 1.6 per cent of the beef cars and the railroads own none.

*Percentage of refrigerator cars owned by Big Five packers and other interests,
Dec. 31, 1917.*

Interests owning cars.	Beef cars.	Other refrigerators.	All refrigerator cars.
Big Five packers.....	91.6	7.2	19.4
Independent packing companies.....	6.8	.8	1.6
Other private car companies.....	1.6	6.0	5.3
Railroad interests:			
Railroads operating companies.....		32.0	27.4
Railroads.....		54.0	46.3
Total.....	100.0	100.0	100.0

Mr. COLVER. When we come to other refrigerator cars——

Mr. PARKER of New Jersey (interposing). Other kinds of refrigerator cars?

Mr. COLVER. Other types of refrigerator cars, not beef cars.

Mr. PARKER of New Jersey. That is what I said.

Mr. COLVER. The big packers own 7.2 per cent, the independent packing companies eight-tenths of 1 per cent; other private car companies 6 per cent, railroad operating companies 32 per cent, and the railroads themselves 54 per cent, giving the railroad ownership a total of 86 per cent of refrigerator cars other than beef cars.

We have subdivided railroad operating companies and railroads. The railroad operating companies are subsidiary companies; that is, companies owned by the railroads for the purpose of owning and operating these cars.

Mr. HAMILTON. Will you repeat that last statement? I do not think I caught the full purport of it.

Mr. COLVER. I said that in setting out the figure of 86 per cent as the ownership by railroad interests of refrigerator cars other than beef cars, we subdivided it into railroad operating companies and railroads, railroad operating companies being subsidiaries or operating companies owned by the railroads for the purpose of operating these special-type cars.

Mr. HAMILTON. That is, they are subsidiary companies organized for the purpose of operating these particular cars, are they?

Mr. COLVER. Exactly, and that covers 32 per cent.

Mr. HAMILTON. Do these companies operate over all railroad lines?

Mr. COLVER. Yes; the car operating companies exchange their equipment back and forth on other roads than the parent road that owns the company owning the cars.

Mr. HAMILTON. And their business is to manufacture these cars and operate them?

Mr. COLVER. Their business is to own and operate them, whether they manufacture or buy them.

Mr. SWEET. Instead of operating you mean furnishing them to the railroad companies, do you not?

OPERATION OF REFRIGERATOR CARS.

Mr. COLVER. The operation of the refrigerator car is more than merely the furnishing of it to the railroad or the shipper. It involves the care of it, the icing of it, the getting it back to the place where it is needed, the train dispatching of it. The refrigerator car has a seasonal use. It is useful in one part of the country at one time and in another part of the country at another. So that the subsidiary

or the railroad which owns and operates the refrigerator car for the railroad—not beef car but refrigerator car—sees to it that these cars are moved rapidly, expeditiously, by short routes, and are returned back to places where they can be expected to have immediate cargoes.

Mr. SWEET. But the railroad companies handle the cars?

Mr. COLVER. Oh, yes; the railroad company takes its revenue for the freight. The refrigerator car company takes its revenue for the special service performed added to the ordinary freight rate.

Mr. HAMILTON. Those cars operated by these subsidiary companies, then, are available to all shippers of meat products, are they?

Mr. COLVER. They are available to all shippers, but those cars are not adapted, except in cold weather and under certain conditions, which I will explain, to the carrying of fresh meat. If a ventilator refrigerator car were to be used for carrying fresh meat, it would involve the equipping of it inside with the racks and other equipment, and also in hot weather, it would not be a satisfactory car for the transportation of fresh meat.

Mr. HAMILTON. Why do not the five packers avail themselves of these subsidiary car operating companies instead of furnishing their own cars—or do they employ them?

Mr. COLVER. They do. Some of the independent packers think that they avail themselves of the facilities to the exclusion of the independents, sometimes. The operation of the refrigerator car in the beginning was an extremely profitable operation, extremely so. In the early days, the cars would pay for themselves in four years. That is, make a 25 per cent net profit on their cost, above operation.

Mr. PARKER of New Jersey. Is there anything to prevent any shipper from putting a beef car on the railroad tracks?

Mr. COLVER. Now?

Mr. PARKER of New Jersey. Yes. The railroads can not refuse him, can they?

Mr. COLVER. No; I think not. I think that in just a moment we will come to something that will help on that question.

The CHAIRMAN. Before you get away from that point, Mr. Colver, you spoke of the fact that in the early days these cars earned perhaps 25 per cent. Did you have reference to the beef car or both the beef car and the refrigerator car?

Mr. COLVER. In the early days this refinement had not come about. They were not beef cars. They were very useful and relatively efficient, but they were not like the specialized car of to-day. They were just refrigerator cars. In the beginning they were simply cars with boxes of ice in the end, more or less insulated against heat, and that is about all they were, and gradually they have developed into very scientifically refrigerated receptacles.

The CHAIRMAN. They have been further specialized?

Mr. COLVER. They have been further specialized into beef and ventilator cars. It might help satisfy your question, Mr. Hamilton, to say that, generally speaking, the refrigerator car owned by the railroad company is used by the railroad company or their operating subsidiary to handle fresh fruit and vegetables and things of that sort which originate on their line, and seasonally, as the crops shift seasonally, those cars are shifted from one railroad to another, so that freight originating on one railroad is carried in the same car after it leaves that railroad and goes to another, or to a second or a third one.

Mr. HAMILTON. That is, there is a store of cars available, for illustration, in the fruit season.

Mr. COLVER. Yes.

Mr. HAMILTON. And when they want this particular kind of car, various railroad companies themselves avail themselves of this supply of cars?

Mr. COLVER. The exchange of the cars between the roads is not so great for the originating freight. That is a matter somewhat of competition as to excellence of equipment between the various roads, and so I do not think in answer to your question I ought, generally, to say yes.

LIVE-STOCK CARS.

Now, just to close up this special equipment car subject, we come to the other type which is the stock car, and a comparison of the stock cars owned by the five packers, by private car companies, and by railroads as of December 31, 1917.

Mr. PARKER of New Jersey. What is the total number of those cars?

Mr. COLVER. The total number is 107,472, and here, as we said on the first day of this hearing, the extent of the ownership by the packers is relatively small; in fact, it is very small except as to the double-deck cars.

These live-stock cars for the transportation of live animals are owned as follows:

The double-deck cars owned by the five packers are 1,671, which is 15.1 per cent of the total.

The private-car companies own 1,046, which is 8.2 per cent of the total, and the railroad companies own 10,007, which is 78.7 per cent of the total, the total number being 12,724.

Of the single-deck stock cars, the five packers own 299, which is three-tenths of 1 per cent only. The private-car companies own 12,956, which is 13.7 per cent, and the railroads themselves own 81,493, which is 86 per cent, giving a total of this type of 94,748, and a total ownership of both types by the five big packers of 1,970, or 1.8 per cent; by the private car companies, 14,002, which is 13 per cent; and by the railroads themselves of 91,500, which is 85.2 per cent, the total number of cars of this sort being 107,472.

Total of all stock cars owned by Big Five packers, private car companies, and railroads, Dec. 31, 1917.

Kind of car.	Big Five packers.		Private car companies.		Railroads.		Total.	Per cent.
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.		
Double deck.....	1,671	13.1	1,046	8.2	10,007	78.7	12,724	100
Single deck.....	299	.3	12,956	13.7	81,493	86.0	94,748	100
Total.....	1,970	1.8	14,002	13.0	91,500	85.2	107,472	100

It should be clearly understood that I have said private car companies and not independent packers.

ADVANTAGES OF AND EARNINGS FROM REFRIGERATOR CARS.

The five packers have a practical monopoly of beef cars in the United States, owning 91.6 per cent of those cars.

The railroads own 85 per cent of the stock cars, but if the double-deck stock cars are taken separately, Swift & Co., one of the five packers, owns 13 per cent of those.

The ownership of the beef car and to a degree of the stock car, too, free the five packers who own them very largely from transportation difficulties. The small, independent packer is frequently unable to secure any cars at all, and the cars at his disposal are usually not adapted to the carrying of fresh meat; that is, they are not beef cars, so called, and his expense of constructing beef rails from which the beef may be hung amounts approximately, to \$20 per car, and the hooks which cost \$45 to equip a car are very frequently lost and not returned to him. This is the handicap he is under in attempting to fit out a car other than a beef car for the transportation of fresh meat.

The five packers have an advantage from the ownership of the cars which makes it unnecessary for the earning of a great return or much of a return on the investment in the car equipment. The ownership, however, of these cars, has been profitable at all times. In 1905, Commissioner of Corporations Garfield said that the profits of the large packing companies then owning these cars netted more than 17 per cent profit on the investment, and statements that have been made, for instance, by the Cudahy Co., show that in 1902 the return was 22 per cent; in 1903, 20 per cent; and in 1904, 17.7 per cent.

Mr. PARKER of New Jersey. Do you mean on the cost of the car or on all their investment?

Mr. COLVER. On the investment involved in the ownership of the cars, which is not only the ownership of the cars themselves, but of various transportation facilities required for their proper and effective use.

Mr. ESCH. And that allows for depreciation?

Mr. COLVER. That is net, above depreciation.

From 1905 to October, 1917, the mileage returns from the railroads to the owners of these cars remained stationary, and during this time there was a great change in the type of car and an enormous increase in the cost of materials and overhead expense, and in the operation of these cars. They were more scientifically operated, more carefully operated, and the cost of the operation went up with the mileage receipts remaining about the same, so the profit went down.

Notwithstanding this increase, the profits in the operation of the packer-owned cars now, exclusive of the profits that may arise from icing and refrigeration, have averaged or are averaging about 2 per cent on the investment. When we say on the investment we bear in mind the fact that the investment has been written up 15 per cent, and the 2 per cent earning is on a basis of 115 per cent of the true original investment. That was the figure found in 1917, which up to that time was an unusual year. Whether 1918 will show as low a figure as that we do not know, but 1917 was the lowest figure that was found, and it was then about 2 per cent on the appreciated investment.

There is no complaint. Perhaps complaint is not the right word—the commission is offering no criticism that the profits from the operation of the refrigerator car are large or small. The size of those profits does not seem to enter into what we are trying to tell you. It was a useful and great thing to develop this type of rolling stock, and the men who did it were entitled to that reward which usually takes

the form of money and public applause for doing a big thing. There is no question about that, and there is no objection to the profits that are made or have been made, whether they be greater now or less now; but, as a matter of fact, they are less, very much less, and are not at all unreasonable profits. There is no complaint or no criticism at all on that score in this present discussion. I do not mean to use the word complaint. I mean it is not mentioned critically.

Mr. ESCH. Do the five packers use and operate heater cars for the shipment of any of their products?

Mr. COLVER. No; they do not.

On October 1, 1917, the mileage paid by the railroads to the owners of these cars was changed from three-quarters of a cent a mile to 1 cent a mile.

The CHAIRMAN. Do you mean that the railroads paid the companies for furnishing the cars?

Mr. COLVER. Yes. Briefly stated here is the operation of a refrigerator car or a dressed-beef car: Where the product is shipped in a car owned by the owner of the product—that is, where the packing company owns the car—it puts a cargo of meat or whatever it desires to into this car, and the car is hauled to its destination. The shipper who is the owner of the car and the owner of its contents pays the railroad the regular freight rate on that amount of freight, and the railroad pays the owner of the car 1 cent a mile for the journey of the car loaded and 1 cent a mile for the car coming back. The cars of this type usually come back empty and that is a good thing. That is to say, these cars being used for fresh beef, it is right and proper and in the public interest that they should not be used on their return trip for miscellaneous cargoes. It is very well that they should be kept and used only for such cargo as fresh meat.

So that the earnings of the privately owned car to its owner is 1 cent a mile, either loaded or empty.

The CHAIRMAN. In other words, going and returning?

Mr. COLVER. Going and returning, and the return journey is assumed to be paid for on the theory that it returns on the same route that it traveled out on.

Mr. ESCH. And then, as to the freight charged on a mixed cargo, the shipper would have to pay varying rates, depending on the character of the shipment.

Mr. COLVER. An answer to that question involves quite a number of factors. I have that here, and I am going to come to it in a moment. It is rather difficult to put in at this time, and if you do not object—

Mr. ESCH (interposing). No; just proceed in your own way.

Mr. COLVER. The profits in 1917 on the operation of stock cars—not refrigerator cars but stock cars—have been greater and have averaged in the case of the Swift Live Stock Transportation Co. and the National Manufacturing Co., both of which are Swift companies, about 14 per cent on the investment.

When we give you these earning figures, we have taken care of the operating expense, maintenance, depreciation, administration, overhead, and the whole thing, so that the figures are net figures.

ICING STATIONS.

Along with the ownership of a large number of these cars goes, naturally, the ownership of icing stations. I say, naturally. The

Interstate Commerce Commission, I believe, has said that that is not natural, but I will say they go hand in hand at least; and the five packing companies own a number of icing stations located in the territory most commonly used by the refrigerator cars. The greatest portion of their traffic moves over official classification territory, and the ownership of the icing stations gives them a very great advantage as competitors against independent packing concerns.

Under the authority of the Hepburn Act, the Interstate Commerce Commission, on July 1, 1918, directed that all these privately owned icing stations should be sold and turned over to the railroad companies for operation.

The rate per ton for ice used in reicing fresh meats and packing-house products throughout the United States is uniformly \$2.50! The packers, however, at three stations jointly owned by Armour, Morris, and Swift, are able to secure their icing at an average cost of \$1.60 per ton. This from figures covering the years 1915, 1916, and 1917.

The CHAIRMAN. Do you mean per ton of meat or per ton of ice?

Mr. COLVER. Per ton of ice.

Mr. HAMILTON. Did the consumer get the benefit of that?

Mr. COLVER. No. The cost to Swift & Co. at five owned and operated icing stations averages for the three years 1915, 1916, and 1917 less than \$1 a ton for 40 per cent of its cars that were iced there, and \$1.15 per ton for all the cars iced at those stations.

Besides the advantage of cheaper icing, the big packer who operates the icing station has additional advantages over his small competitor. He has access to the waybills of his competitor, and that is an advantage, because it gives full particulars regarding the shipment and the consignee; second, any inefficiency or defective application of the icing or the failure to exercise the greatest care may injure the shipment of the goods of his competitor; and, third, a delay in icing may cause a very serious loss in delivery, so that the consignment of his competitor may not reach its market as promptly as it would if it were not delayed in the icing. That we will come to later.

Mr. ESCH. You say that the Interstate Commerce Commission has ordered those icing stations to be sold to the companies?

Mr. COLVER. To the railroad companies; yes.

Mr. ESCH. Has that been done?

Mr. COLVER. It has been directed. Armour & Co. has transferred or sold one station to the Pennsylvania Railroad, and that is as far as the direction has been complied with at this time. The direction was only made, however, on July 31, 1918.

Mr. HAMILTON. What were the general grounds alleged for the order of the sale of these icing stations to the railroad companies? Were any grounds alleged?

Mr. COLVER. The Interstate Commerce Commission in its report to Congress, in 1904, recommended that this thing be done; that these icing stations be divorced, and it has been a continual controversy ever since.

Mr. HAMILTON. Why did they think it ought to be done? For the general reasons you have assigned?

Mr. COLVER. Yes. I think the development of this matter will show, perhaps, the theory that the Interstate Commerce Commis-

sion had then and has maintained for all these years, since 1904, when they first recommended it, up to July 31, 1918, when they finally directed it to be done.

“ PEDDLER ” CARS.

Besides thinking of these cars as carrying a cargo unbroken for long distances, there is another use that they are put to, a very notable use. The five packers have perfected a system which they call the peddler car, and have laid out regular peddler-car routes.

Mr. MURDOCK. Mr. Colver, Mr. Hamilton did not hear that and I think he ought to.

Mr. HAMILTON. What kind of car, did you say?

Mr. MURDOCK. A peddler car, which is their latest development.

Mr. COLVER. They lay out regular routes for these peddler cars by which they are able to ship an assortment of products so that each purchaser may receive the exact amount of products desired and the exact products desired. In all, there are 1,279 such routes in operation.

The refrigerator car has enabled the packer to perfect a system of distribution, and, as a result, there are in existence to-day, besides the peddler car, 1,093 branch houses.

Now, much is said by the packing companies of the peddler-car system, and among the other largesse that now goes to the newspapers there go large advertisements somewhat explaining but mostly praising this system of peddler-car routes.

The commission is not criticizing the peddler-car routes. It is a good thing.

Mr. SWEET. These peddler cars distribute meat throughout the country, even in another territory that is producing meat?

Mr. COLVER. Yes; first meat, and then it develops into a perambulating department store.

Mr. ESCH. It supplements the branch houses and enables them to get fresh meat to many country towns where they could not get it otherwise?

Mr. COLVER. I would say it, perhaps, in this way, it gets meat to many country towns where the local butcher is then put into direct competition.

I say there is no criticism now made, no objection made, and we are trying to get no prejudice in your mind at all against the peddler-car routes and the service that they perform.

Mr. PARKER of New Jersey. Let me ask you a question right there. Do they sell at the car or do they deliver to somebody in the town who does the selling? A peddler wagon stops and sells right at the wagon. Is there a salesman in the peddler car who sells at the switch where the car stops?

Mr. COLVER. It is sold at the door of the car. It is sold at the door of the car in this way: The order in many cases, and usually, is taken in advance.

Mr. PARKER of New Jersey. Then it is not sold at the door. It is shipped there like any other shipment and is not like a peddler wagon that goes and sells at the door of the wagon?

Mr. COLVER. I did not get the significance of your use of the word “door.” It is delivered at the door of the car.

Mr. PARKER of New Jersey. Of course, all goods are delivered at the door of the car, and the only question is whether they sell as a peddler wagon does. It is not a peddler car unless it sells right from the car.

Mr. COLVER. Yes; the name "peddler" is not mine. It is their own.

Mr. PARKER of New Jersey. Do they have any long stops at any particular places? For instance, if they were peddling, they would have to stop at these places for some time, instead of going along with the train delivering their goods. They go on with the regular train, do they not?

Mr. COLVER. They usually go on with the regular train, and that brings us to another one of the things we are calling your attention to. I say we are putting no prejudice in your minds and making no complaint against the peddler car. We are just showing that it is an advantage which tends to lock this industry against the investment of money in independent enterprise in the packing industry. It is just one of the advantages, one of the entrenchments, which make the meat-packing business not a free business; not a business in which any American can with any courage or with any hope invest his money.

Mr. SHOOK. Do you think in the public interest it ought to be discontinued?

Mr. COLVER. If you can get the good out of it, the usefulness out of it, and retain that and reject the disservice about it, that would be better, I think; and that is what we are suggesting should be done.

Mr. RAYBURN. What are you suggesting will do that?

Mr. COLVER. I should think that the peddler car might properly be operated on a regular schedule and be open to all on equal terms; that is, open to any shipper.

Mr. PARKER of New Jersey. The question is whether they would do that. The railroads would not get a special profit on that, would they? Somebody has got to get the profit for running that. Are you proposing that the railroads should be well paid for it?

Mr. COLVER. I would propose, I suppose, that the railroads should be paid just as they are now for the operation of the same thing.

Mr. PARKER of New Jersey. But you would have to pay more for doing it in that way, because they would have to do more work, because they would have to supervise it. At present they do not have to supervise the car or deliver from the car. That is done, I suppose, by a representative, if it is a peddler car.

Mr. COLVER. The supervision of the delivery would be no more supervision than in the delivery of any other mixed car lot.

Mr. PARKER of New Jersey. In this case, as I understand it, the man on the car does the delivering, and not the railroad?

Mr. COLVER. No; there is no packer representative traveling with the car to make these deliveries.

Mr. PARKER of New Jersey. Then how is it a peddler car? How does it differ from any other car that is owned outside?

Mr. COLVER. Well, we are getting ahead of the development of the thing, but I would like—

Mr. PARKER of New Jersey (interposing). There are a great many cars—you will see them on the Baltimore & Ohio Railroad—a car stopping from station to station and delivering goods from station to station, which may be owned by some other railroad. The Balti-

more & Ohio is running it, but the car belongs to somebody else, and something is allowed for it?

Mr. COLVER. Yes.

Mr. PARKER of New Jersey. Now I got the impression from you that something more was done to make a car a peddler car than merely the delivery of goods from station to station.

Mr. COLVER. Well, this is what is done and this is where, I might say, the difficulty, the disadvantage arises: A car is filled with a miscellaneous assortment of goods, some fresh meat, some butcher's aprons—

Mr. PARKER of New Jersey (interposing). Is this a beef car?

Mr. COLVER. Yes; it may be either a beef or ventilator car, but in any event it is a refrigerator car. Now, it is filled, we will say, with a mixed cargo of which some is fresh meat. It starts out on its journey. It has a regular route. It stops, is opened, not by the owner of the car or the owner of the contents—it is opened and the merchandise which is to be delivered at the town where the first stop is, is taken out and delivered, as I said a moment ago, at the door of the car, on the freight house platform. The car then, if set out for the purpose of that delivery, is picked up by the next train and carried to its next destination, and so on and so on.

Mr. PARKER of New Jersey. Well, who sees that it is kept cool, kept refrigerated?

Mr. COLVER. The railroads.

Mr. PARKER of New Jersey. Do they generally do that with all refrigerator cars? Do the railroads assume the task of keeping them cooled?

Mr. COLVER. No; that is a little special arrangement.

Mr. PARKER of New Jersey. And the shipper pays for it, I suppose.

Mr. COLVER. Yes; the icing is paid for in addition to the usual freight rate.

Mr. BARKLEY. The reason for that, I suppose, is because this peddler car is longer in reaching its destination, and the original refrigeration is liable to be exhausted before it gets there, and the railroad assumes the burden of refurnishing it if it gets out before it gets to the end of the route?

Mr. COLVER. That is one way of stating it. The railroad does not exactly assume the burden. The packing companies, as we find, order them to do it.

Mr. PARKER of New Jersey. But where does the ice come from?

Mr. COLVER. The railroad company supplies it.

Mr. PARKER of New Jersey. They don't always have ice.

Mr. COLVER. For the re-icing?

Mr. PARKER of New Jersey. The railroad company doesn't have ice enough for all those cars at country stations.

Mr. COLVER. This is not an occasional thing. I am speaking now of the 1,297 regularly established routes over which these cars run in a regular way, and depending on the time of the year it is perfectly easy to know when and where ice is to be needed and the railroad companies have the ice there and put it in and are paid for it.

Mr. ESCH. How long does one icing last?

Mr. COLVER. It depends on the weather.

Mr. ESCH. What is the average?

Mr. COLVER. Twenty-four to thirty-six hours, perhaps, on a rough average.

Mr. PARKER of New Jersey. How long does the route last?

Mr. COLVER. It depends on the length and the number of stops.

Mr. PARKER of New Jersey. What do they average—what time?

Mr. COLVER. Two or three days.

Mr. HAMILTON. Mr. Colver, I would like to ask you a question. Is not the consumer after all between the devil and the deep sea in this peddler-car business? For illustration, suppose the railroads should be permitted to take over this peddler-car business, as you suggest, is it supposed that the railroad company would be sufficiently altruistic to protect the interests of the consumer? Is it not simply shifting the business from one corporation to another? Would they be solicitous about seeing that the average man got his meat cheaper than he is getting it now? Do you think so?

Mr. COLVER. No. I do not like to answer one question by asking another, but if they can do these things successfully and presumably profitably for five packing concerns in the United States, why can they not do them for others?

Mr. PARKER of New Jersey. Won't they do it if the other fellow furnishes the car?

Mr. COLVER. No; I think it was perhaps at that point——

Mr. HAMILTON (interposing). I understood you to say that you proposed that the railroad companies themselves should take over this so-called peddler business.

Mr. COLVER. Oh, no; no; not at all. We did not say that.

Mr. HAMILTON. Well, I am glad you corrected that.

Mr. PARKER of New Jersey. I thought he did.

Mr. COLVER. I said that the cars on an established route, which are started out iced and are reiced by the railroad companies, as needed, might just as well be open to all shippers of that sort of stuff as to five. That is all I said.

Mr. PARKER of New Jersey. Well, the other shipper who furnished a car, couldn't he put a car on just the same way?

Mr. COLVER. That question has come——

Mr. PARKER of New Jersey (interposing). Certainly the railroad is bound to take everybody on equal terms.

Mr. COLVER. That question has come up so much this morning that it seems to be perhaps better to answer it rather fully by changing the order of my testimony at this point. We will see now just what the effect is.

Mr. DOREMUS. Just a moment, Mr. Chairman—evidently Mr. Colver has outlined the course of his testimony this morning. Now, I wish you to ask him, Mr. Chairman, whether it would be better for him and would not interrupt the continuity of his presentation if we would suspend our questions until after he completes his statement.

Mr. PARKER of New Jersey. I should be very glad to have him do that.

The CHAIRMAN. With one exception: Sometimes a member of the committee may not understand what the witness says, and if he does not understand it then perhaps he never does. I think any member of the committee ought to have the privilege of asking a question where he does not understand the witness.

Mr. DOREMUS. Mr. Colver is a very accommodating witness and is trying to answer the questions propounded by the committee, but

just now I notice he has diverted from the subject he intended to complete to another subject in order to accommodate the committee.

Mr. PARKER of New Jersey. Mr. Doremus, I should prefer very much that he complete his present subject before going to another, and I would be very glad if he would postpone the answer to my question until later.

Mr. DOREMUS. He can not pursue his testimony in the order that is mapped out if he stops to answer the questions that are being submitted by the committee, and I merely wanted to find out what his disposition in the matter was. I did not intend to criticize you at all, Mr. Parker; I think your question is entirely proper.

ADVANTAGE OF BIG PACKER CARS IN MILEAGE PER DAY.

Mr. COLVER. The question which seems to be recurring here—and the same thing is constantly said by the five packers—"Why don't the independents get cars of their own? There is nothing to stop them."

The CHAIRMAN. That is, peddler cars?

Mr. COLVER. Any car. They say, "If they want stock cars, why don't they get them? If they want beef cars, why don't they get them? If they want refrigerator cars, why don't they get them?" And the question here is: "If this peddler-car thing is good, if the beef-car thing is good, if there are no patents on them, why don't they get them and operate them?"

Now, I think, apropos of this peddler-car discussion, we can go into that phase of the subject which we were coming to a little bit later in the order that I had planned.

These five big packers have such a large volume of freight business, of traffic, that they have, as very great shippers, a considerable influence on the railroads. That influence takes the form sometimes of definite, understandable figures. For example, Armour & Co., operating 4,751 refrigerator cars in the year 1917, accomplished a mileage of 131,887,153 miles. Their cars were in operation 340 days on the average, each car, and each car averaged a mileage of 81.6 miles.

The CHAIRMAN. Per day? Now, right there, Mr. Colver, you said the car operated an average of 81.6 miles. Is that per day or per month or per year?

Mr. COLVER. I thought I said per day.

The CHAIRMAN. No; that is why I was asking this question.

Mr. COLVER. Yes; 81.6 miles per day. Thank you.

The Cudahy Packing Co.'s 1,405 cars, operating 292 days per year on the average, traveled 104.3 miles.

The CHAIRMAN. That is per day?

Mr. COLVER. Yes. Morris & Co.'s 2,423 cars averaged 340 days in the year, and accomplished 78.3 miles per car per day on the average.

Swift & Co., through the Swift Refrigerator Transportation Co., owning 6,306 cars, operated on the average 309 days in the year and accomplished 76.9 miles per day.

Wilson & Co. car lines, with 1,477 cars, operating 292 days, averaged 85.5 miles per day.

I have not read the figures for the subsidiaries of these five companies and I think we had better put them in.

The cars that I will put in now, to fill in the subsidiaries of these five big companies are the cars that are owned by, in the case of Armour & Co., the Pittsburgh Provision Packing Co., owning and

operating 41 cars, and making an average of 19.8 miles; the Libby, McNeill & Libby, owning 60 cars—when these figures were gotten up Libby, McNeill & Libby was an avowed Swift subsidiary—they made 30.1 miles.

The Union Meat Co., owning 4 cars, operated only 5.1 miles a day. That is explained somewhat by this fact, that the Union Meat Co. is at Portland, Oreg., and their 4 cars are used for short hauls—sort of a local service.

The second ownership of Wilson & Co., is T. M. Sinclair & Co., with 132 cars, which averaged 340 days in the year and 52.4 miles a day.

Mr. HAMILTON. Before you pass from that, Mr. Colver, I wanted to ask—and submit it as a suggestion to the committee—whether it will be possible for you in going over your statement to make subheadings so that it will be easy for members of the committee who refer to what you say—in the printed hearings—for instance, make the subhead “Peddler Car,” and any other subhead that would enable us to turn readily to that part of your printed testimony that we might want to find?

Mr. COLVER. I will be glad to do that.

Now, for the point that we are trying to make clear to the committee—and which would be in answer to Judge Parker’s question, I think—all the refrigerator cars owned by these five big packing companies show an average of 80.8 miles per day of travel.

Now, the operations of refrigerator cars owned by independent packing companies tell a very different story. I will not read it in full, but will put into the record a list of 21 independent companies who own private cars, the smallest number being that of Arbogast & Bastian Co., who own 3, and going up to Kingan & Co., who own 547 of such cars.

Mr. HAMILTON. Kingan & Co. are the biggest so-called independent concern, are they not?

Mr. COLVER. I think so; yes.

The papers referred to follow:

Operation of refrigerator cars owned by Big Five packers and affiliated companies 1917

Company.	Number of cars owned and operated.	Total car miles.	Average number of days each car was in actual operation.	Average miles per car per day.
Armour & Co.	¹ 4,751	131,887,153	² 340	81.6
Pittsburgh Provision & Packing Co. (Armour-Allerton interests)	41	211,544	² 260	19.8
Cudahy Packing Co.	1,405	42,792,959	292	104.3
Morris & Co.	³ 2,423	64,476,785	² 340	78.3
Swift & Co.				
Libby, McNeill & Libby	60	586,076	325	30.1
Swift Refrigerator Transportation Co.	⁴ 6,306	149,905,878	309	76.9
Union Meat Co.	4	3,744	183	55.1
Wilson & Co. (Inc.):				
T. M. Sinclair & Co. (Ltd.)	132	2,352,453	² 340	52.4
Wilson Car Lines	⁶ 1,147	36,883,372	292	85.5
Total	16,599	429,099,964	320	80.8

¹ Owned 4,944 cars, 193 of which were leased to the Frie R. R.

² Estimated.

³ Average in service; number at end of year, 2,950.

⁴ Owned 6,316 cars, 10 of which were in local yard service.

⁵ In special local service.

⁶ Owned 1,562 cars, of which 85 were leased to T. M. Sinclair & Co. (Ltd.)

Operation of refrigerator cars owned by independent packing companies, 1917.

Company.	Number of cars owned and operated.	Total car-miles.	Average number of days each car was in actual operation.	Average miles per car per day.
Arbogast & Bastian Co.	3	(1)	(1)	(1)
Beech-Nut Packing Co. ²	3	92,404	340	54.4
Carstens Packing Co.	3	26,016	312	27.8
Cincinnati Abattoir Co.	100	1,666,975	282	59.1
Cleveland Provision Co.	72	588,272	321	25.5
Consolidated Dressed Beef Co.	5	(1)	(1)	(1)
Cudahy Bros. (Milwaukee)	240	3,546,750	281	52.6
Jacob E. Decker & Sons.	15	40,587	² 60	45.1
Jacob Dold Packing Co.	257	3,391,552	313	42.2
Evansville Packing Co.	6	98,550	292	58.3
Wm. Fockes' Sons Co.	3	(1)	(1)	(1)
Frye & Co.	15	82,650	288	20.6
H. J. Heinz Co. ²	52	604,837	345	33.7
Houston Packing Co.	20	216,318	345	31.4
Independent Packing Co.	99	1,715,110	250	69.3
Indianapolis Abattoir Co.	³ 65	1,755,000	330	81.8
Kingan & Co. (Ltd.)	547	9,656,998	⁴ 340	51.9
John Morrell & Co.	219	5,232,348	300	79.6
St. Louis Independent Packing Co.	150	2,928,120	⁴ 340	57.4
F. Schenk & Sons Co.	5	(1)	(1)	(1)
Western Packing & Provision Co.	10	219,440	⁴ 340	64.5
Total.	1,891	31,861,907	312	54.5

¹ No figures available.

² Not slaughterers.

³ Owned 109 cars, 44 of which were operated separately and no operating statistics have been furnished.

⁴ Estimated.

Mr. COLVER. These 21 companies that I am referring to now are not all packing companies, not all meat packers, but they are owners of refrigerator cars. I have shown you now that, taking in all the refrigerator cars operated by the five packers, you find an average daily mileage, for an average of 320 days per year, of 80.8 miles. Taking these other than the five packers who own refrigerator cars, operated similarly, and their average—

The CHAIRMAN (interposing). How many cars do they all own?

Mr. COLVER. They own in all 1,891 cars. I am accounting for 1,891 cars—they make a yearly operation of 312 days as compared with 320 days made by the packer-owned cars—the five packers, they make an average mileage of 54.5 miles per day. The packer-owned cars accomplish 80.8 miles per day when in use; these others, 54.5 miles per day.

Mr. SWEET. Is that difference in mileage explained by the fact that the large packers operate over a larger territory than the other companies?

Mr. COLVER. I will try to answer your question fully here.

Mr. SWEET. Well, I will not interrupt you, then.

Mr. PARKER of New Jersey. The only other idea would be that the railroads made an unjust discrimination for which they are penally responsible under the statutes if it is their fault.

Mr. COLVER. The answer to your question, Mr. Sweet, is partially "yes." The five packers have traffic experts, and as I think we can indicate here, they have an advantage; they get an advantage. It is shown in the figures here, in the results, that the mere ownership of the refrigerator car does not work out to be the remedy as suggested, and when it is said, "Why don't they go and get these cars?" I am

showing you that they have got them and what they get out of them. They don't get out of them as much as the five packers do, and not because of their inefficiency; not because of their own inefficiency; not because of the independent man's lack of effort to get into this game, as I think we will show you.

Now, while we are on the subject, in order to tie the two things together, taking the stock cars, the live-stock cars that are owned by the five packers and that are owned by independent packing concerns, and in order to cut it short, taking Swift & Co., Wilson & Co.'s lines, the National Manufacturing Co., and Swift & Co.'s live-stock transportation company, with a total ownership of 1,895 cars, the yearly operation for 1917 was 315 days, and the miles accomplished per day on the average was 73.6; while the operation of the 13,554 cars privately owned by private car companies and usually leased to independent packers and others, made an average of 338 days of operation in 1917 and accomplished only 22.8 miles per day.

Contrast the figure 73.6 miles per day with 22.8 miles per day.

(The following tables were submitted:)

Operation of stock cars owned by Big Five packers and affiliated companies, 1917.

Company.	Number of cars owned and operated.	Total car miles.	Average number of days each car was in actual operation.	Average miles per car per day.
Swift & Co.:				
National Manufacturing Co.	¹ 1, 506	34, 682, 242	320	72.0
Swift Live Stock Transportation Co.	109	2, 573, 457	310	76.2
Wilson car lines.	280	6, 663, 598	292	81.5
Total.	² 1, 895	43, 921, 297	315	73.6

¹ Average in service, including for full year the 684 cars taken over from the Western Live Stock Express Co., July 1, 1917.

² In addition to these cars Morris & Co. had 10 cars in service part of the year.

Operation of stock cars owned by independent private car companies, 1917.

Company.	Number of cars owned.	Number of cars for which operating statistics have been furnished.	Total car miles.	Average number of days each car was in actual operation.	Average miles per car per day.
Doud Stock Car Co.	733	448	4, 455, 848	¹ 340	29.3
Le Ray Despatch Line (Inc.)	113	(²)	(³)	(³)	(³)
Mather Horse & Stock Car Co.	8, 217	199	1, 905, 288	329	29.1
The Streets Co.	4, 491	584	3, 114, 752	¹ 340	15.7
Total.	13, 554	1, 231	9, 475, 888	338	22.8

¹ Estimated.

² None.

³ No report.

The question is asked, "Why don't they buy or why don't they lease these cars?" They have bought them and have leased them.

Mr. PARKER of New Jersey. Do I understand that the railroads make an unjust discrimination, therefore, in favor of the packers, in your judgment?

Mr. COLVER. Yes.

Mr. PARKER of New Jersey. They do not follow the rule of "first come, first served" with reference to these refrigerator cars?

Mr. COLVER. No, sir.

Mr. PARKER of New Jersey. Well, isn't the railroad then the one that is responsible for that, under the law, that they must give equal facilities to all?

Mr. COLVER. Your questions have the effect now of bringing in new things. To answer this question I have to leave the other one, but this is the time to answer that question and I want to do it.

Mr. PARKER of New Jersey. Well, I thought that could be answered yes or no.

Mr. COLVER. I will answer it "yes."

Mr. PARKER of New Jersey. Whether there was injustice or not.

Mr. COLVER. I will answer it "yes," without any qualification whatever, but it is a very interesting question and the answer is also interesting—no; I won't answer that question "yes." You say the fault is with the railroad?

Mr. PARKER of New Jersey. I asked whether the railroad followed the rule of "first come, first served" in giving equal service to all.

Mr. COLVER. I say "no" to that. They do not follow that rule, of course.

Mr. PARKER of New Jersey. And they do not give equal service to all?

Mr. COLVER. No.

Mr. PARKER of New Jersey. Then they are responsible under the law for that, too.

Mr. HAMILTON. And they do discriminate, as I understand it, in favor of the five packers?

Mr. COLVER. They do; yes. And then comes the question "Are they responsible and to be blamed for this?" And my answer to that is not unqualifiedly "yes." It depends on how much blame attaches to yielding to an irresistible pressure.

Mr. HAMILTON. Can it be possible that that has been going on under Government control?

Mr. COLVER. I don't know. We finished this thing before that.

Now, if we have time to show the inequity in service and to give you an example of how the inequity comes about we may see where the fault does lie.

DELAY IN MOVEMENT OF INDEPENDENT PACKER CARS.

The small, independent packers have practically no control over the movement of their owned or leased cars. In the first place they have difficulty in securing refrigerator cars of any description, and when they do secure them they are compelled to go to great expense to fit the car up for carrying the fresh meat. As I say, it costs \$20 to fit a car up and they put \$45 worth of hooks into a car, and then they may or may not get their hooks back. When a car is leased by an independent packing company—we must remember later to get back to that peddler car question which we left sometime back.

Mr. PARKER of New Jersey. Won't you go into that mileage question just at this point? Why is the mileage much less on one than the other?

Mr. COLVER. Yes; and then we must get back to the peddler car, because that is left in a decidedly unanswered state in this record.

Mr. PARKER of New Jersey. Answer the question why they get so much less mileage out of it, first.

Mr. COLVER. All right; we will take that first.

The prompt movement and return of the cars of the independent packer is not granted by the railroad, and this is shown by the statement of Jacob E. Decker & Co., of Mason City, Iowa.

Mr. SWEET. Yes; I understand about that.

Mr. COLVER. Their representative at a hearing before the Interstate Commerce Commission, in the matter of private cars, made this statement: They leased 20 cars for the shipment of carcass meat, fresh meat, in 1917. He takes six of his cars and gives this analysis of the operation of those cars. They, as I say, leased these cars following the advice, "Why don't you lease cars?" They leased these cars and they sent one out on June 27 and it was held 177 days. It was six months before it got back. During that time the rental was \$116.46 and the car earned for them \$16.56.

The CHAIRMAN. One hundred dollars or more per car?

Mr. COLVER. No; that is one particular car. This gentleman appeared before the Interstate Commerce Commission and related his experience of following this apparently very simple expedient of "Why don't you buy or lease cars?"

Mr. PARKER of New Jersey. Why was it held 177 days?

Mr. COLVER. Why was it?

Mr. PARKER of New Jersey. Yes. Did he give any explanation?

Mr. COLVER. I can not say what reason he gave.

Then he shipped another one of his cars on July 19, 1917. It was held 149 days. It cost him \$98.04 to rent it during that period and it earned \$39.17. That would appear to be a better trip, because apparently it was returned faster than the first car.

Then the car that started September 12 was held 68 days. His rent was \$44.94 and it earned him \$14.06.

The car that started September 16 was held 106 days, cost him \$69.75, and earned him \$37.55.

The one that started out September 19 was held 101 days, cost him in rental \$66.45, and earned him \$51.56.

The one that started September 21, 1917, was held 111 days, cost him in rental \$73.04, and earned \$36.04.

So that his experiment with those six cars necessitated an output of \$468.68 rental and the cars earned \$194.94.

Mr. HAMILTON. What is the basis of the rental, Mr. Colver?

Mr. COLVER. It is a monthly basis; so much a month.

Mr. HAMILTON. And does not he retain control of the car so that he can call it in at any time?

Mr. COLVER. He is supposed to.

Mr. DOREMUS. I understand, Mr. Colver, that all this you have related occurred under private ownership of railroads, does it not?

Mr. COLVER. Yes; this is 1917.

Mr. HAMILTON. But Mr. Colver states that he doesn't know whether that is going on now or not.

Mr. BARKLEY. All of which elucidates nothing.

Mr. HAMILTON. Well, we are not so sure about that.

Mr. COLVER. There then that packer was deprived not only of the use of these cars that he provided himself with, but of course he had to pay rental for the service. Now we find that by and large, and adding all the big five packers' cars together, that they are profitably operated. The same railroads haul them on the same terms and for the same price—that is, the same mileage price is paid by the railroad to the owner or lessee of the car, and the same freight is paid to the railroad, and yet one operation shows a profit and the other a loss. In this case I have just cited there was \$468.68 going out and \$194.94 coming in. That is not profitable.

Mr. STEPHENS. I presume that is due largely to the fact that the five packers have so many cars that they can be made up into special trains and run through as a special—or at least, do you suppose that that is a factor in it?

Mr. COLVER. Yes; or else it can be summed up in the phrase "a traffic club."

PACKER "TRAFFIC CLUB."

Mr. HAMILTON. Mr. Colver, do the railroads charge all individuals and corporations alike as to rental of cars? Is the rental charge the same to all?

Mr. COLVER. Do you mean do they pay back the same mileage?

Mr. HAMILTON. No; as I understand you they have to pay the railroad company so much rental.

Mr. COLVER. No; these cars that I speak of, of the independent packer, were rented by him from an independent private-car-line company, not from the railroad. They do not rent from the railroads; no.

Mr. HAMILTON. Now, as to the independent car lines, do the independent car lines discriminate? Is the rental the same?

Mr. COLVER. The rental rates vary with the type of car somewhat.

Mr. HAMILTON. Precisely, but there is no discrimination among corporations?

Mr. COLVER. The rates vary among the owning corporations; yes. To make it clear, they vary as to the number of cars leased and on the length of time of the lease. The scale of rental prices varies with those factors in consideration, the number of cars and the length of time of the lease.

Mr. HAMILTON. But the rental is a regular schedule?

Mr. COLVER. Yes; with the factors being equal, it is a regular schedule.

Mr. HAMILTON. And there is no distinction among those renting cars?

Mr. COLVER. That is impossible to be answered, I think.

Mr. HAMILTON. Well, do the five packers rent cars at all?

Mr. OLIVER. Yes; but not often.

Mr. HAMILTON. I do not understand yet why one firm should lose uniformly and another should gain uniformly.

Mr. COLVER. Because one firm's car goes through to its destination and comes back for another load promptly; the other concern's car goes out and gets lost and stays for six months.

Mr. HAMILTON. Now you have told the story. I understand you now.

Mr. COLVER. Now it is asked, "Is that the railroad's fault, or do they discriminate?"

As to the question, "Do they discriminate?" I say yes. As to the question of whose fault it is, I say, I can not say unqualifiedly "yes," but I think I can throw some light on that right now.

Mr. HAMILTON. But you do believe that the railroad companies lose the cars of some corporations and do not lose the cars of others?

Mr. COLVER. Yes.

Mr. HAMILTON. And you think that the reason why they lose some people's cars and do not lose others is because they are making more money out of some corporations than others?

Mr. COLVER. Well, they get more freight; yes. They are making more money in that way, making more receipts; yes.

Mr. HAMILTON. Well, ought there not to be some way to reach them by law for doing things like that?

Mr. COLVER. That is what we are telling you these things for. We think so.

Mr. HAMILTON. Well, isn't there existing law that will reach it? Can't the Department of Justice take cognizance of a situation like that?

Mr. COLVER. Yes, I suppose so.

Mr. HAMILTON. Ought it not to do it?

Mr. COLVER. Well, one of these companies is indicted on 50 counts now. I don't find any fault here—I don't know how to say this exactly—a company is indicted on 50 counts; a competitor, a competing packing company is suffering. Each little fact must be proven and made law proof, and then the case starts on its weary way to the Supreme Court. Maybe, some time, it will get there and you will get your decision, but in the meantime the independent packer's car is on the siding, and just how long can he stand it? That is the answer to the panacea "Buy your own cars," and "Lease your own cars," and "If the independent packer doesn't like to get along without cars, why don't he go and get some?"

Mr. HAMILTON. But that means a failure of justice, Mr. Colver, and—this is very important—we have existing law to take care of it. Here is unjust discrimination; here are railroad corporations losing cars and indifferently failing to return them. There is a law to prevent that, and you say that a suit might be commenced or a criminal prosecution started, but that because of the slow machinery of justice the remedy is uncertain, and meanwhile the aggrieved shipper has given up the ghost. That is a sad commentary upon the law as it now exists.

Mr. COLVER. I did not speak of the slowness of the processes of the court critically at all; I just spoke of them as orderly processes.

Mr. HAMILTON. We have a right to criticize.

The CHAIRMAN. If no private companies owned private cars and the public had the same opportunity as these companies, then criminal prosecutions would not be necessary.

Mr. COLVER. That is the whole theory of this legislation. Instead of indictments, instead of traversing the "sawdust trail" to the Supreme Court and back again; instead of all that delay that occurs in reference to these cars, if these facilities were open, and if these

highways of commerce were open to all on equal terms, fairly, the difficulty would be solved to a very great extent.

Mr. HAMILTON. That goes to the very heart of the whole question; and there are many questions which suggest themselves here at this point, but which it would not be proper to interrupt you concerning now, but later on possibly we may be able to get them straightened out.

Mr. COLVER. It is interesting, now that we have come to the fact that there is a significant difference between speed and the practical operation of these cars by the two different classes of people that are in the meat-packing business. The question is asked, "Whose fault is it? Is it not the railroad companies' fault and are they not to blame?" I can not answer you specifically and directly with reference to these cars, unfortunately, but we can find something that at least will shed light on it.

Mr. HAMILTON. You have pretty nearly made a demonstration of it.

CLOSING OF M. K. & T. R. R. CO. STOCK YARDS AT HODGE (FORT WORTH), TEX.

Mr. COLVER. Take this instance as illuminating: The M. K. & T. Railroad Co. owned some stockyards at Hodge, near Fort Worth. These yards were operated by the M. K. & T. Railway in competition with the Fort Worth yards, which are controlled jointly by Armour and Swift. We find the following letter, dated Chicago, Ill., December 27, 1916, written by Mr. A. R. Fay, of the Swift Refrigerator Transportation Co.—that is the company which owns these cars—to Louis F. Swift and E. F. Swift. The letter, in full, is as follows:

CHICAGO, December 27th, 1916.

MESSRS. LOUIS F. SWIFT, EDW. F. SWIFT.

GENTLEMEN: Mr. J. L. Harris, general live stock agent of the Alton Railroad, reports that in conversation with Vice President Haile, of the Missouri, Kansas & Texas Railroad, in St. Louis last Wednesday, the 20th, Mr. Haile was asking him to try to secure the Fort Worth packing-house business for the M. K. & T. and Alton route, and Harris told Haile that it was no use in trying to get the packer's business at Fort Worth as long as the M. K. & T. maintained a stockyard at the very gates of Fort Worth yards. Then there resulted a discussion of the matter, Harris says, and Haile finally told him if the packers still wanted the Hodge yards that he would bring it about so that they could have them, either by purchase or rental. He asked Harris to find out if the Fort Worth interest still wanted these yards. That is, the railroad company or at least an agent or officer of the railroad company asked whether or not if they sold these competing yards controlled by Swift and Armour that would be all right.

I spoke to Mr. Dunham over the phone about it, and he said he would like to look the matter up, and suggested that I send word back to Mr. Haile that we would look the subject up and would take it up with him later.

This for your information.

A. R. FAY.

ARF:B Transp. Dept. Individual letters.

The Mr. Dunham referred to is the vice president of Armour & Co.

In other words, they offered to sell the yards or dispose of them to the yards controlled by Swift and Armour, but the offer apparently was not satisfactory, and instead of buying and taking them over the transaction took the turn of wiping them out and getting rid of them that way.

On December 30—three days after the first letter—1916, from Chicago, Mr. Fay addressed Mr. Dunham, the vice president of the Armour Co., as follows:

CHICAGO, December 30, 1916.

Mr. R. J. DUNHAM,
Continental Commercial Bank Building,
Chicago, Ill.

DEAR SIR: It looks as though we might prevail upon the M. K. & T. R. R. to close the Hodge yards if your traffic department and ours will unite in pressure on the M. K. & T. I believe this will be more desirable than for the Fort Worth stockyards to buy or lease them. Do you agree?

Please reply.

Yours, respectfully,

A. R. FAY.

ARF: B CC L. F. Swift.

There is Swift & Co. saying to Armour & Co. that a desired end will be brought about "if your traffic department and ours will unite in pressure"—that is what this letter said.

The CHAIRMAN. Pressure on the railroad?

Mr. COLVER. On the railroad.

Apparently there was some conversations or communications, because we find the following letter:

CHICAGO, January 8th, 1917.

Mr. F. W. ELLIS,
Union Stock Yards, Chicago, Ill.

DEAR SIR: Regarding the "Katy" Hodge yards at Fort Worth, I met Mr. Harris to-day. He goes to St. Louis to-night, and he is going to tell Mr. Haile that if he wants to stand in well with the packing houses at Fort Worth he will close their Hodge yards and allow the "Katy" live stock to go through the Fort Worth stockyards the same as all other Fort Worth lines do. Thus placing the M. K. & T. on a parity with other competing lines.

Yours, respectfully,

A. R. FAY.

ARF: B

Copy—LFS. EFS.

The Mr. Ellis addressed is with Armour & Co. Mr. Harris, the vice president—

Mr. HAMILTON (interposing). What does he mean by placing this company on a parity with competing lines?

Mr. COLVER. If you will pardon me, we will come to the "parity"—the parity was achieved all right.

Mr. HAMILTON. Very well.

Mr. COLVER. Mr. Harris, the vice president of the M. K. & T., having received this suggestion, apparently took the desired action, because we find Mr. Fay's letter to Mr. Ellis dated March 24, 1917, as follows:

MARCH 27, 1917.

Mr. F. W. Ellis,
Union Stock Yards, Chicago, Ill.—

This, again, is Swift & Co. writing to Armour—an official of Swift & Co. to an official of the Armour Co.

DEAR SIR: Regarding the Hodge stockyards:

I have the promise of the Katy people that these yards will be closed and dismantled inside of three or four months.

Yours, respectfully,

A. R. FAY.

ARF—LMC.

CC—Messrs. L. F. Swift, E. F. Swift.

The happy ending comes in a letter dated June 20, 1917, where Mr. Fay finally reports to Mr. Louis F. Swift, as follows:

JUNE 20, 1917.

MR. LOUIS F. SWIFT: Mr. Harris reports this morning that at an interview with Vice President Haile and Vice President Webb, both of the M. K. & T. Railroad, that Mr. Webb, the operating vice president, was given—

The letter says “given.” Evidently it means “giving,” and we have inserted the word in brackets here as probably the word intended.

was given [giving] instructions to abandon and demolish the Hodge stockyards at once.

This will do away with the competition we have had at the gate of the Fort Worth yards for all these years.

In consideration of this, Armour and ourselves have agreed to give the M. K. & T. our shipments on the fast train from the Fort Worth plant, Tuesdays and Thursdays of each week, as long as the rate and service via the M. K. & T. are equal to that of other lines.

I feel quite sure you will be pleased to know that this competition is going to be discontinued.

I am sending a copy of this letter to Messrs. Dunham, Donovan, and Googins.

A. R. FAY.

ARF—LMC.

The CHAIRMAN. That is, Swift and Armour owning the stockyards at Fort Worth.

Mr. COLVER. Controlling them.

The CHAIRMAN. I mean “controlling.”

Mr. STEVENS. Who owned this stockyard that was wrecked?

Mr. COLVER. The Katy Railroad.

Mr. STEVENS. They owned that?

Mr. COLVER. Yes. It is a question now who is at fault.

Mr. HAMILTON. That restored the “parity” of competition?

Mr. COLVER. The parity got there, you see, when they “got” the Tuesday and Thursday business, the other roads having the rest of the week for their proportion.

Mr. HAMILTON. The obstruction would operate to impair the “parity” and the obstruction was removed.

Mr. COLVER. Then, you see, we left this thing in June, 1917, and in November, 1917, we checked up how it worked out; and a letter is sent by Mr. Fay to Mr. Edward F. Swift, as follows:

CHICAGO, November 5, 1917.

MR. EDWARD F. SWIFT: Events are proving that we were right in believing that the M. K. & T. deliveries of live stock at the Fort Worth yards would increase with the closing of the Hodge yards. I have asked Mr. Donovan to give me a monthly statement, comparing it with the year previous, in detail. It is as follows:

1917.

Week ending—	Cattle.	Calves.	Hogs.	Sheep.	H. & M.	Total.
Oct. 6th.....	117	11	20	9	46	203
Oct. 13th.....	118	9	17	1	15	160
Oct. 20th.....	115	13	20	2	46	196
Oct. 27th.....	123	17	5	6	55	206
Totals.....	473	50	62	18	162	765

1916.

Week ending—	Cattle.	Calves.	Hogs.	Sheep.	H. & M.	Total.
Oct. 7th.....	41	9	26	2	6	84
Oct. 14th.....	57	7	16	1	7	88
Oct. 21th.....	43	4	22	2	8	79
Oct. 28th.....	61	3	19	3	12	98
Totals.....	202	23	83	8	33	349

ARF VMF
cc L. F. SWIFT.

A. R. FAY.

The above totals are a comparison of the month of October, 1916, with the month of October, 1917, and show that the cattle shipments went from 202 in 1916 to 473 cars in 1917, an increase of 125 per cent, or thereabouts; an increase from 23 cars of calves in 1916 to 50 cars of calves in 1917; 83 cars of hogs in 1916 to 62 cars of hogs in 1917; 8 cars of sheep to 18 cars of sheep in the same period; and 33 cars of horses and mules to 162 cars; and the total-movement increase by the Katy was from 349 to 765 cars, and the Katy got the packers' business two days a week.

Mr. HAMILTON. What is the basis of the influence which the packers exercised on the railroads as manifested in the evidence you have recited—is it the size of the business of the packers?

Mr. COLVER. The volume of business—tonnage.

Mr. HAMILTON. That is to say, they have grown strong and powerful financially, and one great financial power approaches another great financial power and says, "Come, let us reason together for our mutual benefit?" It is about that, is it not? They are adjusted it among themselves, and the lesser man takes his medicine?

SWIFT SALES OF BUMPING POSTS TO RAILROADS.

Mr. MURDOCK. If I may interrupt Mr. Hamilton, he and the committee here and I know that there are rebates and rebates. The law prohibits a rebate, but the law must detect and prove a rebate. One of the packing companies, in my recollection of the reading of this record, owns and controls a company which distributes to the railroads of the United States the bumping posts which the railroads use. The "bumping post," you gentlemen will recollect, is a large triangular steel frame which stands at the end of the tracks, and which has a shock recoil on it. All railroads use them at the end of their sidings. If the packing companies are in this business of selling bumper posts to railroads of the United States, does not the gentleman from Michigan [Mr. Hamilton] see that they can very readily so manipulate the sale of those bumping posts between the packers-manufacturer of the bumper and the railroads as to work a rebate that would not be detectable or punishable by law?

Mr. HAMILTON. I can see that possibility.

Mr. MURDOCK. Does the gentleman from Michigan think that such a thing could be detected or punished, although it might result in a very large rebate?

(Mr. Colver subsequently presented correspondence covering selling methods in the case of this bumping post, as follows:)

The Ellis bumping post is a product of the Mechanical Manufacturing Co., which is controlled by the Swift interests. The sale of this product for the fiscal

year ending March 31, 1918, was \$249,715.60. Correspondence found in the files of Swift & Co. indicates that the packing company uses its traffic influence to push the sale of this product to the railroads. The following letter, apparently dictated by N. B. Higbie, of Swift & Co., and addressed to George L. Chatfield, of the same company, will serve to introduce the case.

APRIL 14, 1915.

MR. GEO. L. CHATFIELD. I noticed all along the Michigan Central road that they are using some kind of a steel bumper. Would like to know if they have discontinued using the Ellis entirely and using only the steel and *if there is not some way we can get them to buy the Ellis.*¹

NBH-EM

CC-A. R. Fay.

Apparently after an investigation, Mr. Chatfield replied to Mr. Higbie's inquiry to the effect that he had been advised by a representative of the Michigan Central Railroad that no new bumping posts had been bought by his company for some time, but that he thought some would be needed soon. Mr. Chatfield says that he is taking the matter up with Mr. Fay, manager of the transportation department of Swift & Co., apparently for the purpose of seeing whether Mr. Fay might not be able in some way "to get them to buy the Ellis." Mr. Chatfield's memorandum is as follows:

MAY 4, 1915.

MR. N. B. HIGBIE,

Fourth floor, office.

DEAR SIR: Replying to your note of April 14, and referring to conversation with you regarding bumping posts on the Michigan Central Railroad, wish to advise that I have been checking up this matter and have not been able to get as much information as I would like, but it is evident from what I have that they have been buying a number of Gibraltar, Hercules, and Buda bumping posts. Also, understand they are fitted up at their Jackson shops for making repairs for our bumping posts, some of which have been in service a number of years. Have not been able to learn that they have made any complete posts. I am also advised by one of their representatives that they have not bought any new posts for a long time, but he thought they would need some within a few months. I am taking this matter up with Mr. A. R. Fay.

As to the bumping posts on the Illinois Central, their business runs about even, and I have been assured by their purchasing agent that we are getting all of their business and have not been buying any other posts.

Yours, respectfully,

GEO. L. CHATFIELD.

GLC*B

Mr. Fay was apparently able to induce the Michigan Central Railroad to buy the Ellis, for he reported to Mr. Chatfield about two months later, as follows:

File . . . 568-ARF.

CHICAGO, July 30th, 1915.

MR. G. L. CHATFIELD,

Fourth Floor.

The Michigan Central have promised that they will purchase Ellis bumping posts, and, that they will buy mere [more] posts in the next year on their line than they have in the last ten years.

A. R. FAY.

ARF: B.

R. R. DEPT.

Copy. H. A. C.

There is no direct statement in this correspondence to the effect that Swift & Co. stated to the Michigan Central Railroad Co. that it should buy the Ellis bumping post or suffer a loss of traffic. It is none the less evident, however, that the "traffic club" was brought into play and that Swift & Co.'s traffic, rather than the worth of the product, was the controlling factor in the Michigan Central's decision to use the Ellis bumping post.

The big packers attempt to extend their influence over the railroads to other companies which are closely affiliated with the carriers. An example of this is found in the effort made by Swift & Co. to secure the business of the Harvey Co., which operates a line of restaurants on the Santa Fe system. Swift & Co. attempted to get this business by appealing to the officials of the Santa Fe. It

¹ Italics by the commission.

is evident from the correspondence taken from the files of Swift & Co. that it considered it was being discriminated against in the matter of the Harvey business. It seems that Morris & Co. was always given the contract. A. R. Fay, of Swift & Co., wrote to F. B. Houghton, freight traffic manager of the Santa Fe, and asked for his cooperation in securing for Swift & Co. its due share of the Harvey business. Mr. Fay's letter follows:

co—R. A. Stearns.
File 301-ARF.

MAY 21, 1914.

Personal.

Mr. F. B. HOUGHTON,
F. T. M., A. T. & S. F. Ry. Co.,
Chicago, Ill.

DEAR SIR: We are in the packing house business, as you have perhaps heard, and manufacture all kinds of meat supplies, among them Premium hams and bacon, than which there is no better. We are successful in selling many railroads more or less of their supplies of this class of goods, and we have quoted Mr. Harvey a great many times, but never got any business from him. If we treated the Santa Fe the same way Mr. Harvey treats us, on our shipments, the Santa Fe would not have any of our business.

Our people are restless over this situation. We would like to supply the first class roads of the country, because we make first class goods; and we don't like to be in the position of not supplying the Santa Fe a fair share of our goods. I think you can realize the feeling of our people, and they can't understand why I can not get you to have Mr. Harvey give us a fair show at the ham and bacon business.

It is up to you to help me out of the embarrassing situation in which I find myself. Please reply.

Yours, respectfully,

SWIFT & COMPANY,
Per A. R. FAY.

ARF-B.

It is evident from this letter that Swift & Co. was securing very little of the Harvey business and that the company was somewhat concerned about it. The traffic manager of Swift & Co. says that he finds himself in an embarrassing position, and he appeals to the traffic manager of the Santa Fe to help him out of the situation.

The Santa Fe was, of course, eager to do anything it could for Swift & Co., for the latter was a large shipper over the Santa Fe lines. Mr. Houghton wrote to Mr. Fay and suggested that the latter call on H. L. Benjamin, of the Harvey Co., the next time he was in Kansas City. He thought that both gentlemen were good traders, and that they could probably get together. Mr. Fay acted upon the suggestion and, in the absence of H. L. Benjamin, he had a talk with David Benjamin. The latter was apparently a good trader for the Harvey Co. rather than for Swift & Co., or the Santa Fe Railway, for it appears in the correspondence that, when he was told by Mr. Fay that all the eastern and western roads used their purchasing power with shippers to secure traffic, he replied that "this would not cut any figure with him." Mr. Fay relates his interview with Mr. Benjamin in a letter written to Mr. Houghton, as follows:
File 301-ARF.

MARCH 3, 1915.

Mr. F. B. HOUGHTON,
F. T. M., A. T. & S. F. Ry. System, Chicago, Ills.

DEAR SIR: Thank you very much for your letter of introduction to Mr. H. L. Benjamin of the Harvey Company. Mr. Stearns, the head of our hotel and dining car supply department, and I were in Kansas City on Monday; but Mr. H. L. Benjamin was under the weather and not available and we saw Mr. David Benjamin and presented your letter to him.

We regretted to find that there was very little prospect of our being able to do any business with the Harvey people. I explained to Mr. Benjamin that it was the practice of all roads, East and West, to use their purchasing power with shippers to secure traffic; all of which, of course, is a perfectly legitimate and legal basis, and that the Santa Fe was at a disadvantage in this respect unless his concern gave some consideration to the shippers via the Santa Fe System. He emphatically told me that this would not cut any figure with him.

The most I could get him to do was to write to his man in Chicago to give us some consideration—I don't know whether he did this or not. I told him that I thought it was only fair that at equal prices we should have the business part of the time. He didn't agree or disagree to this statement, except to say that one of our competitors would have the preference at equal prices on the smoked meat and lard, because that competitor furnished the fresh meat under the contract.

The position that Mr. Benjamin takes I think is unfortunate both for the Santa Fe and for us.

Yours, respectfully,

SWIFT & COMPANY,
Per A. R. FAY.

ARF-B

CC—R. A. Stearns

It is apparent that Swift & Co. did not accomplish a great deal by its effort to secure the Harvey business through the Santa Fe. The letter just quoted was written in March, 1915. Swift & Co. did get the business for the following September, but only by bidding $1\frac{1}{4}$ cents under the prevailing market price on bacon and 1 cent on ham. It is apparent from the correspondence that the Harvey Co. is operated separately from the Santa Fe Railway, and that the officers of the Harvey Co. are not at all influenced by the volume of tonnage which a shipper may be able to offer to the Santa Fe. The correspondence is significant, however, in that it shows the willingness of the Santa Fe officials to cooperate with Swift & Co. in an effort to secure for them a portion of the Harvey business. It also shows that the shipper attempted to extend its influence over a railroad to a company, which though not actually affiliated with the carrier, was believed to be closely related to it.

The CHAIRMAN. If you will pardon me, gentlemen, it is now nearly 1 o'clock, and I suppose Mr. Colver is tired. On next Monday the committee will have to consider some bills before them for action; consequently it will not be necessary for Mr. Colver to come back Monday. But on Tuesday and Wednesday he can come. Then the rest of next week, not anticipating how long Mr. Colver's examination would continue, I have agreed with some gentlemen to be heard who are coming here to attend another meeting on the 6th and 7th, and I do not know just how long they will require. So if you, Mr. Colver, do not get through on the 7th and 8th, I will have to let you go over until after those gentlemen are examined.

Mr. COLVER. I will make every effort to get through.

The CHAIRMAN. Then the committee will adjourn, so far as this hearing is concerned, until Tuesday at 10.30 o'clock a. m.

(Thereupon, at 12 o'clock p. m., the committee adjourned to meet in further hearing on this subject Tuesday, January 7, 1919, at 10.30 o'clock a. m.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,

Tuesday, January 7, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman), presiding.

STATEMENT OF MR. WILLIAM B. COLVER, CHAIRMAN FEDERAL TRADE COMMISSION—Resumed.

The CHAIRMAN. Mr. Colver, you will proceed with your statement.

Mr. COLVER. Mr. Chairman and gentlemen, the committee asked me several days ago, and I am now ready to give, at least a partial list of the commodities which are being manufactured, or manufactured and sold, or sold by these packing companies, the list giving

perhaps the best general view we can bring to you of the scope of the operations of these five companies. The list as we give it is not necessarily a complete list. It is a very long list, and it has been taken from the price lists or catalogues of the various companies, Swift, Armour, Morris, Wilson, and Cudahy.

LIST OF COMMODITIES MANUFACTURED OR SOLD.

It will not be fair when we finish to count the items in the list as being the number of items handled, for the reason that having been taken from their catalogues, or other sources, the same item is duplicated. For instance, acid phosphate will be catalogued under "A," Acid phosphate, and then again under "P," Phosphate, acid, so that I want to be entirely fair and state in reference to the number of things shown on this list that there are duplications of that sort; but, of course, they are easily revealed when you compare the list. You can understand that for the purpose of indexing there is that duplication, so that you can not count the list and then say that there are that many commodities. However, it will show a very large number of commodities. I am now going to read this list to you.

The CHAIRMAN. This is a list of products manufactured by the five packers you refer to?

Mr. COLVER. Manufactured and sold, or sold. In the case of many products or some products which they do not manufacture they wholesale them; that is, buy them from the manufacturer or producer and resell them, so that some are manufactured and sold and some are purchased and sold.

The CHAIRMAN. Then they are jobbing merchants in so far as those articles are concerned?

Mr. COLVER. In respect to some of them they are jobbing merchants and in reference to others they are producers and direct distributors.

Mr. WINSLOW. Are the lists identical, or are they more or less different?

Mr. COLVER. No; the lists are not identical. They are substantially similar but not identical.

Mr. WINSLOW. Have you any statement showing how many each one carries?

Mr. COLVER. I have not that separated.

Mr. WINSLOW. Or how many are carried in common?

Mr. COLVER. No; but that could be done.

(Additional material on this point was furnished by Mr. Colver. See p. 145.)

Mr. SWEET. Does the statement show what percentage of the wholesale grocery business is done by the five packers as compared with the whole grocery business?

Mr. COLVER. No; this statement does not attempt to show that. As I said the other day, the questionnaire that was sent out to the wholesale grocers brought in a mass of opinion, expert opinion, from the wholesale grocery people, and the estimates they make vary all the way from 10 to 50 per cent. I think 50 per cent is very high; and, of course, that percentage varies to a great extent in different localities in the country. I presume it would be an absolutely impossible thing, or relatively impossible; of course, we could find out if you directed us to, and we took the time and labor to do it—that is, find out what

the gross business of the wholesale concerns are in the country, and the amount of these products which used to go through the wholesale grocers, and that would give us a proportion, and then, of course, there would come in the question of increase in business which would again not proportion out, because we would not know what part of that these wholesale grocers would have got. I think it would be a rather dangerous thing to try to get a figure like that.

Mr. SWEET. I was just wondering whether you had covered that field or not.

Mr. COLVER. The attempt was made, as I said the other day, in the way of a questionnaire to get the expert judgment of the trade itself, or the industry itself, and there each one spoke of his own locality, and it is difficult to know the volume of business relation between one witness and another witness, or one filler-out of a questionnaire and another; when we come to volume of business and localities, it is difficult to arrive at a single figure, which is what you just asked for; it would not be possible.

The CHAIRMAN. Well, proceed with your statement.

Mr. COLVER. This is a list of the products or commodities commonly dealt in or held out in price lists as being regularly dealt in by these concerns which we speak of as meat-packing concerns:

Acid phosphate.	Beef sides.
Albumen.	Beefsteak and onions.
Alfalfa meal.	Beef sweetbread.
Alundum cloth.	Beef suet.
Ammonia.	Beef weasands.
Anhydrous ammonia.	Beets.
Animal food.	Belting.
Animal oils and stearines.	Benzoinated lard.
Apple butter.	Big Rapid beans.
Apple cider.	Binding and twine.
Apricots.	Blackberries (cases).
Aqua ammonia.	Bladders.
Artificial ice.	Blood meal.
Ashton salt sax.	Blood pudding.
Asparagus.	Blood sausage.
Babbitt (used by railroads in axle boxes).	Boiled ham.
Backbone.	Boiled beef.
Bacon.	Boiled kidneys.
Baked beans.	Boiled pork loins.
Bar iron.	Boiled sausage.
Barrels.	Boiled shoulders.
Barreled beef.	Bologna sausage.
Barreled pork.	Bolted meal.
Bath powder.	Bone meal.
Bath salts.	Bone oil.
Beans.	Bone products.
Beans, no pork.	Boned chicken.
Bearings for railroad cars, etc.	Boned turkey.
Beef and vegetable rations.	Boneless boiled hams.
Beef bungs.	Boneless pigs' feet.
Beef casings.	Bouillon.
Beef cuts.	Bouillon cubes.
Beef extracts.	Blood.
Beef, iron and wine.	Boxes.
Beef loaf.	Brains.
Beef offal.	Brass castings for recoil mechanism in heavy ordnance.

Mr. ESCH. Most of those things have relation more or less to meat products, but there were some that went into iron and steel, for

instance, Babbitt metal and things of that kind. Do all the five packers engage in that line, or is there only one packer who has one plant?

Mr. COLVER. At least two are in this car-equipment stuff, Swift and Armour, and employees of some of the other companies are in car-equipment companies.

Mr. ESCH. That is due to the fact—I think Swift & Co. make their own cars?

Mr. COLVER. Yes.

Mr. ESCH. And therefore, of course, they would be in that line which would require the use of these metals. I understand they make an average, perhaps, of four cars a day.

Mr. COLVER. Yes.

Mr. ESCH. Which would make quite an industry in itself, but it would not be an industry, therefore, that would seek to encroach upon a general industry, but it would be one that was merely for its own special purpose of making its own equipment.

The CHAIRMAN. But would they put it on the general market when they were making it for their own use?

Mr. COLVER. But we were mentioning here things which were parts of cars and used in the operation of cars which they sell to other car owners and operators.

Mr. ESCH. Outside of equipment that would be specially adapted for beef and refrigerator cars?

Mr. COLVER. Yes.

Mr. WINSLOW. In competition with the regular car builders?

Mr. COLVER. Yes; in competition with railroad supply houses.

Mr. WINSLOW. On what basis do they probably make their sales?

Mr. COLVER. On what basis?

Mr. WINSLOW. I mean, if they are in competition, one would infer that they were able to sell them cheaper.

Mr. COLVER. Perhaps we can come to the basis on which some of these sales are made in a moment, if you care to go on with this.

The CHAIRMAN. What was the last item you referred to on that list?

Mr. COLVER. Brass castings for recoil mechanism in heavy ordnance.

The CHAIRMAN. Do any of these meat packers who are industrially engaged in the production of meat need any of this finding?

Mr. COLVER. Yes.

The CHAIRMAN. For heavy ordnance, heavy guns?

Mr. COLVER. Heavy ordnance; I do not know how heavy. It is the inclusive word "heavy" ordnance.

Mr. PARKER of New Jersey. Which one of the packers is that?

Mr. COLVER. That is the Chicago Bearing Metal Co., in which Edward Swift—

Mr. PARKER of New Jersey (interposing). That was since the war?

Mr. COLVER. Yes; the gun springs.

Mr. PARKER of New Jersey. Has not the Government asked that all factories that could make ordnance turn in and do that?

Mr. COLVER. Yes; and we are simply telling you what they do.

Mr. PARKER of New Jersey. I understand; but they did it to help the Government at their particular request?

Mr. COLVER. I do not know that they were requested. I do not know about that.

Mr. HAMILTON. I suppose the Government bought the ordnance, did it not, Mr. Colver? It was made for the Government, was it not?

Mr. COLVER. This particular item; yes.

Mr. HAMILTON. I should imagine they would not go into the business of making cannon for private concerns.

Mr. COLVER. Oh, no; here was a concern owned by one of the packing interests which was——

Mr. HAMILTON (interposing). Which went into the making of ordnance?

Mr. COLVER. No; which was making the brasses for journal boxes, and being in the business of making brasses for journal boxes which they used on their own cars, of course, but which they also sold to other people who used journal boxes, and, therefore, were in the journal box business——

Mr. HAMILTON. Yes; I understand that, but I understood you to state they were making cannon, in response to a question put to you by Mr. Sims.

The CHAIRMAN. Oh, no; that they were making this mechanism for use in our guns.

Mr. COLVER. No; he said for use in our guns.

Mr. HAMILTON. It was something then in connection with the cannon?

Mr. COLVER. Yes.

Mr. HAMILTON. I think the chairman put the question very accurately, but the defect was in myself. I did not quite understand it.

The CHAIRMAN. I may have put it in such a way that I did not mean what I intended it to mean. I aimed to confine it to what they were making. Were they making these journal boxes for heavy guns, say, 16-inch guns?

Mr. COLVER. Well, Mr. Chairman, this is the fact, having a factory, having the equipment to make, among other things, journal boxes, that equipment could be used for making springs for heavy ordnance, and was so used. I hope it is quite clear that in reading this list the list is not read, Judge Parker, in a critical sense. We have told you they are in many fields, and now we are trying to tell you the fields. We are not criticizing it. We are just telling you.

The CHAIRMAN. And the making of them for heavy guns might be exceptional on account of the demand existing at the time they were made?

Mr. COLVER. Undoubtedly.

Mr. PARKER of New Jersey. Do you mean to say you do not criticize their going into other fields?

Mr. COLVER. No; I do not say that. I say this list——

Mr. PARKER of New Jersey (interposing). You said something of the sort. You said you did not criticize their going into these fields, anyhow.

Mr. COLVER. No; I said this list was not being read critically now.

The CHAIRMAN. You are reading what appears in their own catalogues, as I understand it. You may proceed, Mr. Colver.

Mr. COLVER. We are just trying to show you that when we are talking of five packers, we are talking of five big concerns which are much more than packers, which reach out into many other fields. We are showing you the fields. We will show you how they get into those fields, and whether or not it is good for those fields to have that sort of competition projected into them with the impulse that is behind this sort of competition in these few fields.

The CHAIRMAN. Well, proceed and read the list, Mr. Colver.

Mr. COLVER. And if in order to read the list completely I have to mention heavy ordnance, I only do it because it is on the list, not because I have any objection to the packer making a spring for a gun.

Mr. HAMILTON. Have you a duplicate of that list with you?

Mr. COLVER. No, sir; I am sorry I have not.

The CHAIRMAN. It will be printed in the hearings.

Mr. HAMILTON. I understand that, but I want to refer to it now.

Mr. COLVER. I will be glad to hand it to you in a moment.

Mr. WINSLOW. In making those springs, do they do that regularly?

Mr. COLVER. Oh, no, sir.

Mr. WINSLOW. Or only at the request of the Government in war times?

Mr. COLVER. It is not the spring, it is the brass casting for the spring.

Mr. WINSLOW. Is that something they do regularly?

Mr. COLVER. They make the brass castings for journal boxes regularly; yes; and use them themselves, and also sell them.

Mr. WINSLOW. Well, about these springs for ordnance, is that something they do regularly?

Mr. COLVER. No; it is the brass casting for the spring.

Mr. WINSLOW. Do they make them regularly, or do they just make some for the purposes of the war?

Mr. COLVER. They made these for the purposes of the war, but they make the brass castings—

Mr. WINSLOW (interposing). Then, why have they not done the country a good service in respect of that production?

Mr. COLVER. I suppose they have.

Mr. WINSLOW. It is lucky, then, they had the facilities for making such an article.

Mr. COLVER. Yes; lucky, except on the assumption that the brass-casting industry which makes brass castings for railroad journal boxes would have been able to supply the journal-box trade, and if they had, they would have been able to make these springs.

Mr. WINSLOW. Yes; if they had. I do not mean to criticize your lack of knowledge of the brass industry; but, as a matter of fact, that industry has been behind the demand in this country for at least four years, so it has been almost impossible for any outside concern to get the material from which to make brass work of any kind, and it would seem to me that we ought to be very happy to think that this concern was able to turn to and aid such an industry.

Mr. COOPER. Mr. Winslow, may I ask you a question?

Mr. WINSLOW. I would be delighted.

Mr. COOPER. Is it not a fact that there were hundreds of manufacturing industries appealed to in this country during the time of war

to manufacture and produce things under the necessity of the war which they had never made before?

Mr. WINSLOW. Absolutely; and it was a godsend whenever they found one who could so adapt itself.

The CHAIRMAN. Now, Mr. Colver, proceed with the list.

Mr. COLVER (reading):

Bratwurst sausage.
Brawn.
Brewers' flakes.
Brewers' grits.
Brewers' meal.
Brick.
Brisket beef.
Bristle.
Brown grease.

Buckwheat.
Bulk herring.
Builders' hardware.
Builders' materials.
Bulk mackerel.
Bumping posts for railroads.
Butter.
Butterine.

When we come back to this bumping posts for railroads, we will answer your question, Mr. Winslow, about how some of the sales are made.

Calf heads and feet.
Calf hides.
Calf livers.
Calf meal.
Calf sweetbreads.
Calfskins.
Calves' hearts.
Canned apricots.
Canned asparagus.
Canned bacon.
Canned corn.
Canned evaporated milk.
Canned fish.
Canned fruits.
Canned hominy.
Canned meats of various kinds.
Canned milk.
Canned mixed meats.
Canned mixed meats and vegetables.
Canned mutton.
Canned okra.
Canned oysters.

Canned peaches.
Canned peas.
Canned pineapples.
Canned preserves, jellies, and jams.
Canned pork.
Canned pork loaf.
Canned pork sausage.
Canned salmon.
Canned sardines.
Canned sauer kraut.
Canned shrimp.
Canned sweet potatoes.
Canned tomatoes.
Canned tuna fish.
Canned vegetables.
Cans and containers.
Car repair parts.
Casings (beef and hogs).
Casks.
Castings and appliances for use in manufacturing refrigerator cars.

Not only for their own use, Mr. Esch, but to sell.

Castings for railroad use.
Catgut ligatures.
Catsup.
Cattle-tail switches.
Cauls.
Celery bouillon.
Cement, lime, plaster.
Cereals.
Cheese.
Cherries (cases).
Cherry juice (cases).
Chick feed.
Chicken loaf.
Chicken tamales.
Chile con carne.
Chile sauce.
Chitterlings.
Choice dripping.
Chop feed.
Chorizas.
Chrystolon cloth.

Chymogen.
Chymol.
Cinnamon.
City sausage.
Cleanser.
Cleanser powder.
Cleansing compound.
Clipped white oats.
Cloves.
Coal.
Coca-Cola.
Cocoa.
Coconuts.
Coffee.
Coke.
Cold cream.
Cold-pack cherries.
Cold-pack peaches.
Cold-pack raspberries.
Colors.
Combs.

Commercial fertilizers of various brands.	Dried brewers' grains.
Complexion powder.	Dried fruits.
Compound lard.	Dried peaches.
Concentrated tankage.	Dried peas.
Condensed milk.	Dried prunes.
Condiments.	Dried raisins.
Consommé soup.	Dried sausages.
Cooked meats.	Dry kelp.
Cooked pressed beef.	Dry ribs.
Cooked sausages.	Dry salt meats.
Cooking oil.	Dry salt pork.
Cooperage.	Dry sausage.
Corn grits.	Ducks.
Corn meal.	Eggs.
Corn and oats, half and half.	Egg albumen.
Corned beef.	Elixir enzymes.
Corned-beef hash.	Elixir of lactated tablets.
Corned-beef ster.	Emery cloth.
Corned pork.	Emery paper.
Corned-pork ster.	Essence of pancreatin.
Corpus luteum.	Essence of pepsin.
Cotosuet.	Evaporated fruits.
Cottonseed meal.	Evaporated milk.
Cottonseed oil.	Extract of red bone marrow.
Cowhide.	Face creams.
Cream.	Face powders.
Crème de menthe.	Fancy meat.
Creamery feed.	Fatty acids and soap grease.
Cremol.	Feed barley.
Cracked corn.	Feed meal.
Crude cotton oil.	Feed wheat (fancy).
Crude glycerin.	Fence posts and wire fences.
Crushed cherries.	Fertilizers.
Crushed currant.	Findings.
Crushed figs.	Fish.
Crushed gooseberry.	Flint paper.
Crushed nut frappé.	Flour.
Crushed orange.	Fluid beef extract.
Crushed peaches.	Foot powder.
Crushed pineapple.	Fountain cocoa.
Crushed pineapple preserves.	Frankfurt style sausage.
Crushed strawberries.	Fresh and smoked sausage.
Crushed white oats.	Fresh beef tongues.
Cured beef.	Fresh fruits.
Cured herring.	Fresh pigs' feet.
Cuban sausage.	Fresh pork.
Cured beef tongues.	Fresh sausage.
Cured pork.	Fresh tripe.
Curled hair.	Fresh vegetables.
Cut soles.	Frozen beef.
Cutlery, steel lengths.	Frozen eggs.
Dairy feed.	Frozen lamb.
Deviled meats.	Frozen mutton.
Digested tankage.	Frozen pork.
Distilled fats.	Frozen veal.
Doors and windows.	Fruits.
Dressed beef.	Fuller's earth.
Dressed beef cuts.	Gallstones.
Dressed lamb.	Garlic.
Dressed pigs.	Garnet paper.
Dressed veal.	Gelatine.
Dressed veal cuts.	Georgia hash.
Dried apples.	German salami.
Dried beans.	Ginger.
Dried beef.	Grain.
Dried blood.	Granulated meal.
	Grape juice.

Grease.	Leather.
Grease stearine.	Lecithal.
Grease wool.	Lemon extract.
Ginger ale.	Liquid olive soap.
Glue of many grades.	Liquid shampoo soap.
Gluten feed.	Liver and bacon.
Glycerine.	Liver pudding.
Glycerole of pancreatin.	Liver sausage.
Glycerole of pepsin, 10 per cent.	Loins.
Glycerole of rennet.	Lubricating oil.
Goldbeaters skin.	Lumber.
Green pineapple sirup.	Lunch tongue.
Grits.	Lunch tongue, ster.
Ground bones.	Luncheon beans.
Ground white oats.	Luncheon beef.
Gut strings.	Luncheon meat.
Hair.	Luncheon sausage.
Ham.	Lungs.
Ham bags.	Machinery.
Ham loaf.	Malt sprouts.
Hamburger steak.	Manufacturing bones.
Hardened oils.	Marshmallow topping.
Harness leather.	Meal.
Heavy paper.	Meat hooks.
Hides.	Meat scraps.
Hog bristles.	Mechanical supplies.
Hog casings.	Melts.
Hog hair.	Mexican sausage.
Hog livers.	Molasses.
Hog offal.	Milk.
Hog serum.	Mince meat.
Hominy.	Mixed meats.
Hominy feed.	Mock turtle soup.
Hoofs.	Musical strings.
Hoof products.	Mustard.
Horns.	Mustard seed.
Horn products.	Mutton.
Horse feed.	Mutton suet.
Horseradish.	Nitrate of soda.
Hot tamales.	Nutrient, wine of beef peptone.
Ice.	Neats-foot oil.
Imitation maraschino.	Neutral.
Imported cherries.	Neutral lard.
Insoluble powdered pepsin.	Offal.
Intermediate scratching grains.	Oil.
Irish stew.	Old-process oil mill.
Italian hams.	Oleo.
Jams.	Oleo grease.
Japanned leather.	Oleo oil.
Jellies.	Oleo stearine.
Jowls.	Oleo tallow.
Kafir-corn milo.	Oleomargarine.
Kegs.	Olives.
Kits.	Orange extract.
Knife handles.	Orange wood.
Kraut.	Ovol (purified mutton tallow).
Labels.	Ox lips.
Laboratory products.	Ox marrow.
Lactated pepsin tablets.	Ox-tail soup.
Lamb's tongue.	Ox tongues.
Lard.	Oxygen gas.
Lard compounds and substitutes.	Oyster cocktail sauce.
Lard oil.	Packing-house machinery.
Lath.	Pails.
Laundry chips.	Pancreatin.
Laundry soaps.	Pancreatin and soda.
Laying mast.	Pancreatin F. S. P.

Paper-box board.	Rolled oats.
Paper containers.	Roofing.
Peaches (cases).	Root beer.
Peanut butter.	Roots and herbs.
Peanuts.	Saccharated pepsin.
Peperoni.	Sachet lit pomande.
Paper.	Salad oil.
Pepsin.	Salmon.
Pepsin tablets.	Salt.
Peptonum siccum.	Salt mackerel.
Pharmaceutical products.	Salt ribs.
Phosphate rock.	Sand and gravel.
Pickled ears.	Sandpaper.
Pickled hocks, etc.	Sardines.
Pickled meats.	Sauce.
Pickled pigs' feet.	Sauerkraut and Virginia sausage.
Pickled sausage trimmings.	Sausage in oil.
Pickled slats.	Sausage containers.
Pickled snouts.	Sausage meat.
Pickled tongue.	Sausage-meat ster.
Pickled tripe.	Scrapple.
Pickles.	Scratching grains.
Pigeon feed.	Sea foods.
Pigskin.	Shaving powder.
Pig snouts.	Shaving soap.
Pig tails.	Sheep.
Pitting and fruit-handling machinery.	Sheep casings.
Polish kolbassy.	Sheep pelts.
Pork and beans.	Sheep plucks.
Pork and beans with tomato sauce.	Sheepskins.
Pork chittelings.	Shingles.
Potash.	Sinews.
Potted and deviled chicken.	Sliced bacon.
Potted and deviled ham.	Sliced beef.
Potted beef.	Sliced ham.
Potted meats.	Smelling salts.
Potted tongue.	Smoked beef.
Potted turkey.	Smoked beef tongue.
Poultry.	Smoked hams.
Poultry bone.	Smoked pork products.
Poultry mast.	Smoked ribs.
Powdered milk.	Smoked sausage.
Preserves and condiments.	Snuff containers.
Prime steam lard.	Soaps.
Produce.	Soda ash.
Provisions.	Soda-fountain supplies.
Pumpkin.	Sole and upper leather.
Putty containers.	Solid ox tails.
Raspberry (black) and pulp (cases).	Soluble beef.
Raw milk.	Soluble colors.
Red Dog flour.	Souse.
Refined cottonseed oil.	Souse with tongue.
Refined glycerine.	Soup and bouillon.
Refined greases and oils.	Spaghetti.
Refined lard of various brands.	Spaghetti, meat, and chill.
Refined oils.	Spanico chili.
Relishes.	Standard middlings.
Renin.	Standard spring bran.
Rennet.	Steam-cooked feed.
Rennet powder.	Stearine.
Renovated butter.	Stewed kidneys.
Rice.	Stock food.
Roast-beef hash.	Stopper coverings.
Roast fowl.	Structural steel.
Roast mutton.	Suet.
Roaster fries.	Sulphuric acid.

Sulze.	Vanilla extract.
Summer sausage.	Veal and ham loaf.
Suprarenalin.	Veal loaf.
Surgical ligature.	Vegetables.
Sweet-pickled meat.	Vegetable shortening.
Sweet-pickled pork.	Vegetable soup.
Sweet-pickled shoulders.	Vegetable stearine.
Sirups.	Vegetole.
Tablets—tubes.	Vienna sausage.
Talcum powder.	Vin Viz.
Tallow.	Vigoral.
Tallow oil.	Vinegar pickled goods.
Tanks used in refineries.	Violin strings.
Tanks used in refrigerator cars.	Virginia sausage.
Tankage.	Walnuts.
Tanned calfskin leather.	Washing powder.
Tanned hogskin leather.	Washing soda.
Tanned pigskin leather.	Waste.
Tanned sheepskin leather.	Wheat flour.
Tanning extract.	Whips (flavoring emulsions).
Target of scratching grain.	White or yellow grease.
Thyroid powder.	White corn flour.
Tile.	White cream meal.
Tins.	White feed wheat (fancy).
Toilet articles.	White granulated meal.
Toilet soaps.	White hominy (samp).
Toilet waters.	White natural oats.
Tomatoes.	White pearl meal.
Tomato ketchup.	White table grits.
Tomato products.	Witch hazel and almond cream.
Tooth paste.	Wool.
Tripe.	Wool, pulled and scoured.
Tubs.	Yellow corn, kiln-dried.
Turkeys.	

Mr. ESCH. You have read that list to show the extent of the industry?

Mr. COLVER. Yes.

Mr. ESCH. I think when you read "ice, combs, complexion powders, and commercial fertilizer" you indicate the spread sufficiently in three items.

Mr. COLVER. Yes. However, some of those are by-products, but it does not appear so much that the by-product element is in such things as barrels and boxes and paper containers and bumping posts and castings for cars, and that sort of thing. They get further afield.

Mr. ESCH. You were to speak about bumping posts, you said.

Mr. DOREMUS. Whose list was that which you just read?

Mr. COLVER. It was a sort of consolidated list, Mr. Doremus. We have taken the five catalogues and other sources and consolidated them in order not to have to read five different catalogues and price lists.

Mr. DOREMUS. Are we to understand that some of these packers sell all of the articles that you have enumerated?

Mr. COLVER. Yes; substantially all. One or two of those things you noticed were trade names, like "Vinfizz"—that may be a trade name for one of the concerns. But at least the larger of the five deal in the entire list or most of the items.

Mr. HAMILTON. Before you pass, if Mr. Esch has no objection, to the subject of these bumping posts, in order to get this business classified, can you tell—outside now of the packing industry proper—just the lines of industry in unrelated or related commodities that, for instance, Armour & Co. are engaged in?

Mr. COLVER. Swift is the largest in operation.

Mr. HAMILTON. Well, take Swift then, and state where, if you can, their principal factories are located, if they are engaged in the manufacture of these commodities. In other words, state so that we can get the thing classified and find out the scope of their business.

Mr. COLVER. In answering that question, Mr. Hamilton, it will have to be answered by me on my judgment as the thing appears to me, and I would be very glad to try to give you the picture in my mind of how this ramification occurred.

Mr. HAMILTON. I am trying to get first, if possible, the points of production for the purpose of avoiding confusion.

Mr. COLVER. Yes; I think I have the point that you want. You ask me to take one company?

Mr. HAMILTON. Yes; first.

STEPS OF PACKER DEVELOPMENT INTO UNRELATED INDUSTRIES.

Mr. COLVER. A company engaged in the business of packing meat buys live animals and converts them—the live animal is the unit, not the meat we eat—a concern engaged in the meat-packing business buys a live animal. In that live animal nature has assembled a whole lot of things, among other things meat. The packer takes this live animal and disassembles what we have commonly called the meat product, the purpose, the end; and we have said before that everything else is a by-product. That is not a very exact statement, because in the purchase of the live animal the value and the going value of many other of the things that are assembled in that live animal are taken into consideration in the market price. The hide is an important item in that thing—but not to be diverted there.

A packer of meat then takes the live animal and disassembles it into—accepting the common understanding of the term—the main product, and into a large variety of by-products. That is the packing business perhaps in its simplest form.

You asked me to show how the growth from there goes on, and I am going to try to show that to you.

Mr. HAMILTON. Pardon me just for a moment. We have, then, the packing industry doing business, as you might say, strictly within the lines of the commodity which it is handling, live animals and their products?

Mr. COLVER. Yes.

Mr. HAMILTON. Now, we will take a related or unrelated product, for illustration.

Mr. COLVER. You asked me how this operation, which I have stated in its simplest terms, begins to ramify and enlarge?

Mr. HAMILTON. Yes.

Mr. COLVER. It is in this way: First, as to the various by-products, perhaps when the business is in its simplest terms, as we have just spoken, it involves the sale of all the things except the meat—their sale or waste—and much is said about the recovery of the by-products, and all that sort of thing, all of which we take into consideration here.

Mr. HAMILTON. And you approve of that?

Mr. COLVER. Oh, yes; unqualifiedly.

Mr. HAMILTON. Now, take unrelated industries.

Mr. COLVER. First, now, we take the by-product from the animal itself, and we find that the first and principal one in value is the hide. Leaving the industry in its simplest terms, instead of selling the hide

as it is taken from the animal, there is created a hide department, and this hide freshly taken from the animal is transferred to the hide department, and integrated in it——

Mr. HAMILTON. Pardon me, Mr. Colver, right there: Would it not seem to you to be entirely a proper commercial practice for the packers, inasmuch as they are producing hides in the handling of the live animals to tan these hides and put them on the market rather than to let an intermediate party profit by the handling of the hides? I want to get at the objectionable features of this as we go along, if we can. How does that impress you?

The CHAIRMAN. He commenced with hides.

Mr. HAMILTON. He is right at that.

Mr. COLVER. No; I am quite a ways from the leather. Having transferred the hide to the tanning department, the hide freshly taken from the animal in the hide department this hide gets its first curing, its salting, so that it can be preserved for quite a long time; and then it is passed on to another process entirely separate, which will be the tanning industry, and then from the tanning industry it goes to the makers of shoes, harness, and manufactured leather articles.

Mr. HAMILTON. Where would you draw the lines, at the end of the tanning process?

Mr. COLVER. I would not draw any line.

Mr. HAMILTON. But, for the purpose of your bill, you are drawing the line somewhere—that is, you are drawing a line between the unrelated products and the main business of packing; you are saying, as I understand you, that the packers and the other industries, by inference, should be controlled in their handling of unrelated products and of certain related products.

Mr. COLVER. Yes.

Mr. HAMILTON. And now, for instance, we have advanced to the hide proposition. Just where can you draw a line?

Mr. COLVER. If you will pardon me, I do not think we have advanced quite far enough to begin to go back and say where the line shall be drawn.

Mr. HAMILTON. It seems to me, in order to avoid confusion, that we can take for illustration, as we go along, certain products, and it seems to me there is a very clear illustration as to just where you, in your reasoning on this subject, would draw the line between the original commodity—the live animal—and a product of the live animal, and say that the packer must not handle that commodity or that product.

Mr. COLVER. I think that as to the component parts of that live animal that they have bought and disassembled that there is no line to be drawn. I think it is quite all right to go on with the proviso that they draw the line for themselves in any of these secondary processes, where they bring in unfair competition against others in that secondary process; that is all.

Mr. HAMILTON. Then you would make the question of unfair competition the criterion, not the commodity handled?

Mr. COLVER. As to those direct and by-products, I should say yes, perhaps.

Mr. HAMILTON. So that you would not draw any line as to the direct by-products or secondary products, so far as the handling of

them is concerned by the packers, except as it involves unfair competition.

Mr. COLVER. I think this would be very much more clear if we did not stop with the microscope—I am not criticizing; I am just giving my judgment, Mr. Hamilton—if we did not stop now to drive stakes and draw our lines until we had more of a view of the whole thing.

You asked me the lines or the theory of the progress that was made in the ramifications?

Mr. HAMILTON. Yes.

Mr. COLVER. So, let us get that in our minds, and then we will go back and see where we will draw the line.

Mr. HAMILTON. Go ahead in the way that seems best to you. I am in good faith seeking information; I want to know just where you, in your consideration of this very important question, draw the line.

Mr. COLVER. And I should not be here if I were not in good faith with you.

The CHAIRMAN. Let us proceed.

Mr. HAMILTON. We are trying to proceed; we are trying to get at the premises.

Mr. COLVER. We have got this animal and we have dissembled it, and now comes the working up of the by-products, and two courses are open with respect to by-products: One, an integrating or working up of the by-products, the fabrication of the by-products into the finished products by the packer, or to sell those by-products to a second person who shall fabricate them and sell them.

The working up of the by-products directly does not seem to be a place to draw any line or to object to; it seems to be a good thing, if it can be done without hurt and fairly to the industry of which it is a part, as distinguished from the meat-packing industry itself, and no objection is made to that.

Mr. HAMILTON. We are making steps now.

Mr. COLVER. I want to leave the by-products there just a moment, in order to show you two great lines of progression into unrelated things, and then we will come back to the by-products, because that is the best order, I am sure, to make it clear, if you will let me do that.

Mr. HAMILTON. I think you have covered the by-products proposition entirely.

Mr. COLVER. No; that is just a door that opens to a big field.

Mr. HAMILTON. Now, take the unrelated proposition.

Mr. COLVER. The unrelated things seem to come in in this order: First, if, as a meat packer, the meat packer as a meat packer, sells his products—the main product or by-product, but principally the by-product—to a second person who stands between him and the consumer, and if that product which he so sells for resale yields a second and substantial profit in the resale or remanufacture sale, the packer is tempted and does go into that business, that is to say, the tendency is to go into the business of his customers—to go into the business of his customers and become a competitor of his customers.

Mr. HAMILTON. But you are not discussing the unrelated industry now?

Mr. COLVER. No; not yet.

Mr. HAMILTON. I understood you were going to pass to that.

Mr. COLVER. I am going to get to that. Then, we find at the other end of his operation that those concerns from which he buys—and this is going to take in your unrelated things—if the thing that he is buying seems to yield a profit to the purveyor, he tends to go into the business of the industries of which he is a customer.

Mr. HAMILTON. You speak "of the things which he buys"?

Mr. COLVER. Yes.

Mr. HAMILTON. And did you make clear why he buys these things?

Mr. COLVER. I will.

Mr. HAMILTON. All right.

Mr. COLVER. And in this case he was forced into the ownership of the railroad cars because the railroads would not make them for him away back in 1880, when he got into the car-manufacturing business in that way, and it was all right, too. Having the cars, he buys the supplies which keep the cars up, the materials for the maintenance and upkeep of those cars. That brings you to the journal boxes and the babbitt metal.

Mr. HAMILTON. Right there, do you draw a line at that point—you would not draw a line there, would you?

Mr. COLVER. I am trying to get it all out before we draw these lines.

Mr. HAMILTON. I am afraid we shall not draw the line before we get too far along, and that it will lead to confusion.

Mr. COLVER. We have either got to take a chance of not getting our lines drawn—

Mr. HAMILTON (interposing). You stated you had no objection to the packers manufacturing the cars when they were compelled to do so?

Mr. COLVER. No.

Mr. HAMILTON. At what point in the evolution of the packers do you object to manufacturing cars?

Mr. COLVER. When they use the cars unfairly.

Mr. HAMILTON. There, again, comes the test—the unfair use?

Mr. COLVER. Yes.

Mr. HAMILTON. I am trying to get the standard by which you measured these transactions.

The CHAIRMAN. Are you not willing to let him go ahead and make a connected statement?

Mr. HAMILTON. Yes, sir. But I will say to you, Mr. Chairman, that I would stop asking these questions at once, only I am trying to get at the very logic of this very important thing.

The CHAIRMAN. Mr. Colver is trying to get at it in an orderly way.

Mr. HAMILTON. Yes, Mr. Chairman, but, for instance, we start out on the hide proposition. Mr. Colver tells us that somewhere near there he thinks a line ought to be drawn. In other words, on this side of the line [illustrating] the packers may continue to do business and on the other side of the line they may not continue to do business. Now, he says they have acquired cars, that they needed cars and that they had to make them. All right. He says he has no objection to their manufacturing cars because they could not get them otherwise. I want to get the line where he says they must stop manufacturing cars.

Mr. DOREMUS. Mr. Hamilton, he says he is not ready to draw his line yet.

Mr. HAMILTON. Well, all right. I will stop right here and not ask any other questions and leave it to Mr. Colver to develop his idea.

Mr. COLVER. All right. And, besides, Mr. Hamilton, it is for this committee to draw lines and not for our commission. We are telling you what we have found.

Mr. HAMILTON. We are getting our information from you.

Mr. COLVER. Yes. And I am eager to give it to you, too, of course.

Mr. COOPER. May I ask one question? Do you know what percentage of the articles you named here are by-products of the packers' industry?

Mr. COLVER. By percentages, no.

Mr. COOPER. It seems to me that probably 85 or more per cent of the articles you named are by-products of this industry. What would you have the packers do with the by-products?

Mr. COLVER. Just what they are doing now.

Mr. COOPER. You mentioned Coca-Cola?

Mr. COLVER. Yes.

Mr. COOPER. Are you sure that the meat packers manufacture Coca-Cola?

Mr. COLVER. I did not say so.

Mr. COOPER. What did you say, that they sold it?

Mr. COLVER. I said they sold it.

Mr. COOPER. I was mistaken then.

Mr. DEWALT. Mr. Cooper, will you ask the gentleman another question? Has he ascertained by his tabulated statement the proportion of these articles that any one of these concerns manufacture?

Mr. COLVER. Please add the word "sell." I do not want it to appear that we have said that they manufacture all these things. You mean, Have we determined the proportion of each of the articles to the total in the country that these people manufacture and sell?

Mr. DEWALT. Yes, because, after all, that is the gist of competition. If I make only one sewing machine, certainly I can not compete with the Singer Sewing Machine Manufacturing Co. The question arises in my mind as to whether or not these concerns which you mention manufacture or sell these different articles in any appreciable quantity in order to have competition. Have you ascertained that?

Mr. COLVER. There are those things that are manufactured or sold in certain quantities that it amounts to a preeminent position in the market; other things where the proportion is very small. There could be no single answer to such a broad question as that.

Mr. DEWALT. You said, I suppose not only as an argumentative proposition but as a material fact in this case, that if they do neither sell nor manufacture to any appreciable quantity many of these articles that you have mentioned that there would be no unfair competition; that is what you said?

Mr. COLVER. As to those articles?

Mr. DEWALT. As to those articles; yes, sir. Therefore, I think you would also concede, as a matter of argumentative reasoning, that if there was no such manufacture to an appreciable quantity,

or if there was no sale to an appreciable quantity, that there would be no unfair competition; that you would also concede, would you not?

Mr. COLVER. Oh, yes.

Mr. DEWALT. Therefore, I think you will again concede that it is necessary for this committee to know just what that state of facts is?

Mr. COLVER. Oh, yes. I have not objected to the answer, but we can not give the percentage until we do give the proportion the things go to.

Mr. DEWALT. Then, without that, the mere statement of these facts that you have given would amount to very little for the information of the committee.

Mr. COLVER. I should not think the committee would give it much weight.

The CHAIRMAN. I think we might as well have an understanding. This is a preliminary statement by Mr. Colver, and, of course, I assume the witness has a plan and sequence for presenting everything in relation to related and unrelated industries, and while I realize it is natural for us to ask questions when it points directly to the thing under discussion, yet we will not get through with Mr. Colver in 30 days if we undertake such an examination now.

Mr. HAMILTON. Mr. Chairman, let me say a word to you there in that connection. It seems to me that every member of this committee ought to know the process of reasoning by which Mr. Colver has reached his conclusions culminating in this bill.

The CHAIRMAN. We do not have anything to do with those conclusions. We are not here to determine whether Mr. Colver's conclusions are right or wrong. We are here to determine what legislation is necessary, based upon the development of the pertinent facts.

Mr. HAMILTON. He starts out with the proposition that the packers ought to be permitted to do a certain kind of business. I do not know but what he is right, and I want to know his reasons.

The CHAIRMAN. He is giving facts on which his reasoning is based.

Mr. HAMILTON. But with all due deference to our chairman, for whom I have high personal regard, I was asking the witness by way of illustration to take up certain lines of industries and state where he draws the line. He has taken up an unrelated industry and a related industry for illustration, and I have asked where he thinks the line ought to be. Out of that I have deduced his principles of reasoning, which is as far as I want him to go, and I have agreed to stop. But the point is, Mr. Chairman, that every man on this committee is anxious to get information.

The CHAIRMAN. I do not assume that any member of the committee is asking questions for the purpose of consuming time. But we want to get through with this preliminary statement of Mr. Colver so that we can examine him in detail. We were not supposing that his preliminary examination should go to such great length. There are other witnesses who are to appear here on the 9th, 10th, and on up to the 25th of January, and of course if Mr. Colver does not conclude his statement tomorrow he will have to step aside for these other men who are coming here from a long distance, all because we are losing so much time by arguing with the witness.

Mr. HAMILTON. Mr. Chairman, I do not believe a greater question has been presented to Congress for many years.

Mr. COLVER. Mr. Hamilton, if you will forgive me, the question which you asked me first is unanswered, and before it is answered your other questions do not seem to come in—I mean I can not answer them until I have answered your first one.

TENDENCIES OF PACKER EXPANSION TOWARD CONTROL OF SUBSTITUTES FOR PACKING HOUSE PRODUCTS.

The first question you asked me and which I will try to state as I remember it; my mind is trying to answer this thought: What have you found, generally speaking, as the line of progress or growth that the packing business makes into related and unrelated businesses? I am trying to show you that there are three or four—I think I can compress them into four classifications of lines of growth. Then when we have got that, do you not see we can examine each one of them and examine the wise and the right and the wrong of it? So, I say that the tendency, first, is to enter those industries; enter that line of business of customers; second, to enter those lines of business from which the packers themselves, as meat packers, are large purchasers; that is to say, after buying a common commodity in large quantity, and naturally knowing that each purchase involves a profit to the man who sells it, they tend to go into that business and go one step back, and those things are not related in the sense that they are at all by-products of these live animals; they are unrelated in that sense.

Third, the tendency is to go into businesses which compete with flesh foods, or even with the by-products of live animals—I will come back to that in just an instant—and, lastly, having developed as a by-product any article of commerce, to group around that other things which go to a similar market. That sounds rather cryptic, but I think I can explain the last two—the first two seem to be visualized, that they tend to go into the business of the people who are to sell it, that they tend to go into the business of the people they buy from; those are not difficult to see nor difficult for me to express.

Thirdly, I said we will see about the tendency to go into competing businesses. Having found that cottonseed oil, we will say, furnishes a substitute for the animal fats, the tendency is to go into the cottonseed-oil business. Having found that grains and breadstuffs are in competition with meat as a human food, the tendency is to go into that business.

Mr. HAMILTON. Pardon me for interposing?

Mr. COLVER. Yes.

Mr. HAMILTON. Do you say that cottonseed oil is so far unrelated that they ought not to be permitted to engage in its manufacture?

Mr. COLVER. Why—it is so far what?

Mr. HAMILTON. It is so far unrelated that they ought not to be permitted to engage in it?

Mr. COLVER. Why, Mr. Hamilton, without expressing a judgment on the thing, I would suggest this to your mind: If there are two things, one produced from a vegetable source and one a product of animals, and they furnish two independent and separate sources of supply for a needed human food or other necessary use, and in that sense they are competing with each other—that is to say, you and I

have our election as to whether we will eat butter or butter substitute, whether we will use lard or lard substitute—and you ask me whether or not I think that that election should be taken away as to which we will buy and who we will buy from by having both products under one hand and whether I do not see it is better to keep them separate?

MR. HAMILTON. I was only asking for information, to get at your philosophy. I understand you now.

MR. COLVER. For instance, let us take the case of lard and lard substitutes. I think that you will agree that if lard substitute is in the hands and is offered for sale and manufactured by an interest that has no interest in lard, that the tendency of lard substitutes will be to crowd lard as to price, to crowd lard as to excellence, and offer to the public two instead of one commodity in competition as to price and quality, and that if they are united in one ownership that we will lose the benefit of the election that we have.

So, then, we say that the tendency is to go into substitutes for the main or by-product of this live animal; and I say that for a man to not only seek to dominate the industry he is in and that of his competitors, but to dominate or be very largely interested in another industry which itself competes with the one he just now has controlled is concentration twice concentrated; that is all.

And, lastly, the fourth thing I said was that the tendency is to group around a single thing those things which go naturally with it. Let us take an instance of that and we will see the development of it: The drug store goes into the soda-fountain business. As long as I can remember there has been a little soda fountain, which did not amount to much. But now the soda fountain comes to be a very important part of the drug store—comes to be almost a restaurant. About the time that the soda-fountain business started to make its way—with the movies—into public appreciation, one of the by-products that was being recovered was beef extract—bouillon. So, besides selling the beef extract for domestic consumption and consumption in hotels and similarly, you can remember when the signs first came up at the soda fountains, "Beef extract," and there was the little hot-water heater and you could go in and get a bouillon cube or the liquid beef extract, and by adding to it a little hot water and celery salt you would have a new, good drink—fine! The progression from that little start has been—and if this seems a small thing, I give it not because of its magnitude but because it is so easy to appreciate in this instance, and it is a typical thing, although relatively small, and yet the business of purveying to the soda fountains of this country is no longer a small business. Having gotten the introduction through the beef extract to the soda fountain, I said that the tendency was to group around that one thing other similar things, other things that go to the same trade. Assuming that the salesman is going into the soda fountain to sell a bottle of beef extract or a box of bouillon cubes, the tendency is to give him enough additional things to make that business a more profitable business.

MR. HAMILTON. Do you think he ought to be permitted to sell beef cubes?

MR. COLVER. I am not talking about right or wrong; I am trying to chart how to do it.

Mr. HAMILTON. That is a different proposition.

Mr. COLVER. And very soon we find connected with the selling of this beef extract the "whips," as they are called. The whips are the flavoring extracts which are used at the soda fountains—the vanilla, the chocolate, the pineapple, and all of the rest of the fruit sirups. So they have now tied to that a line of fruit sirups. Next comes the nuts, the sirups which they make the sundaes of—the butter-scotch sundae, the caramel sundae, the different kinds of cherries, the nut frappé, the walnut sundae, and, finally, comes what could be called, and, I think, what is called "the soda-fountain department." And having started with simply the beef extract, they go out finally with a line of stuff that furnishes the big soda fountain with all the various things that are served there—a complete line.

Mr. HAMILTON. They do not manufacture soda fountains, do they?

Mr. COLVER. I have wondered. It is an interesting thought.

Mr. HAMILTON. They might do that with the same propriety, might they not?

Mr. COLVER. With the same propriety? We have not yet decided the question of propriety at all, you see. But they might, similarly; yes.

Mr. HAMILTON. I was not laying stress on "propriety." I am again seeking the line of demarcation.

Mr. PARKER of New Jersey. I understand the witness to be trying to give the facts and not give the line of demarcation.

Mr. COLVER. We will come to these grouping in a larger way.

Having gone into meats and substitutes, naturally fish, which is a flesh food and a direct competitor of meat foods, that brings you to the canning business, other than the canning of meats. Having gotten into the canning business, the next step is the canning of vegetables; and having gotten into the canning of vegetables, the next thing is the ownership and operation of a pineapple plantation in Hawaii. We do not say where the line is to be drawn, but we do say that when you start with a business of killing live animals in Chicago and wind up with a pineapple plantation in Hawaii you are getting some ways away from home, and all the way along is accumulated power of vast organization and vast wealth against which we have no complaint at all, but which whenever projected into one of these new fields does tend to strike terror into the hearts of the people in that field, and does tend to domination in that field. That is the situation I am calling your attention to.

Mr. HAMILTON. Then, again, there—according to the principle of your bill, you draw the line between canned meat products and canned fish, canned fruit, and canned vegetables, do you not?

Mr. COLVER. I think there is a line there.

Mr. HAMILTON. Yes.

Mr. COLVER. I think that it would be healthier—I can not say "Don't you?" But I feel like saying it—I think it would be healthier if canned fish were in competition as to quality and price against flesh foods from these live animals, canned or otherwise. I think that would be better for the public.

Mr. HAMILTON. You see, Mr. Chairman—

The CHAIRMAN. You are going into conclusions.

Mr. HAMILTON. Oh, no. But when he states a fact, don't you see how it shortens this examination, when he has given us a very apt

illustration, to ask Mr. Colver to stop right there and ask where he thinks that line ought to be drawn?

The CHAIRMAN. This committee determines the question of policy.

Mr. HAMILTON. We can get information from the witness.

The CHAIRMAN. You are asking for his conclusions, as though the whole bill depended on what the commission thought.

Mr. DEWALT. What is the commission for except to advise us?

The CHAIRMAN. Of course, it is very interesting and illuminating, but sometimes we take up a whole session of Congress and yet get nowhere if we pursue every line of thought simply because it is interesting.

Mr. HAMILTON. I think we are getting somewhere pretty rapidly.

Mr. COOPER. May I ask the witness how many brands of canned fish the packers have on the market to-day?

Mr. COLVER. How many brands?

Mr. COOPER. Yes; purely as a matter of information. I have never known of any canned fish except salmon and sardines. What other brands of canned fish do they put on the market?

Mr. COLVER. Of course, there is the tuna fish that comes from the Pacific Ocean, and there are some four or five principal kinds of salmon.

Mr. COOPER. Have the packers gone into this business to the extent of controlling the salmon industries on the Columbia River?

Mr. COLVER. Substantially so.

Mr. DEWALT. Are you going to be able to demonstrate that?

Mr. COLVER. I think so.

The CHAIRMAN. Gentlemen of the committee, there is an important yea-and-nay vote coming up in the House, and we should be present to vote. It is now 12 o'clock, and we are compelled to suspend the present session of the committee. I do not know what will come up after this vote; I do not know whether the committee will be willing to come back at 2 o'clock or not.

Mr. PARKER. To-day is unanimous-consent day, and it is the day also on which they will probably bring up the \$100,000,000 appropriation for helping Europe.

The CHAIRMAN. Then it does not seem possible to get back at 2 o'clock, and the committee will therefore stand adjourned until 10 o'clock to-morrow morning, when we will resume the hearing of Mr. Colver's statement.

(Additional data referred to on p. 126 was submitted by Mr. Colver as follows:)

LIST OF PRODUCTS MANUFACTURED AND LIST OF PRODUCTS HANDLED THROUGH BRANCH HOUSES BY THE FIVE LARGE PACKING COMPANIES.

The list which has already been submitted covers products manufactured or handled.

List 1 here following covers products reported to the commission by Swift & Co., Armour & Co., Morris & Co., Wilson & Co., (Inc.), and the Cudahy Packing Co., as manufactured by them.

List 2 here following covers products reported by them as handled through their branch houses. These two lists are not necessarily

complete as regards products of, or commodities handled by, subsidiary companies of the five principal packers whose operations may not be carried on the parent companies' books, nor do they include the products of affiliated companies controlled by the same individuals as control the packing companies.

Consequently, lists 1 and 2 do not include all of the commodities in the list already presented to the committee. This is because in the previous list there were included some commodities not reported by the companies in lists 1 or 2. These added commodities are such as we found to be produced or handled by some of the subsidiary companies, and also commodities advertised by the parent companies. As to these additional advertised products the commission was not informed whether they were manufactured or simply distributed by these companies. It was for this reason that the list as previously presented did not distinguish between products manufactured and products merely distributed.

Lists 1 and 2 are as follows:

LIST 1. PRODUCTS MANUFACTURED.

Albumen.	Cases cherries.
Anhydrous ammonia.	Cases peaches.
Aqua ammonia.	Casings (beef and hog).
Artificial ice.	Cheese.
Asparagus.	Chicken loaf.
Bacon.	Chicken tamales.
Baked beans.	Chile Con Carne.
Barreled beef.	Choice dripping.
Beans, no pork.	Chorizas.
Beef cuts.	Cleanser powder.
Beef, dressed.	Coal mine activity.
Beef extract.	Cold pack cherries.
Beef loaf.	Cold pack peaches.
Beef sides.	Cold pack raspberries.
Beef suet.	Commercial fertilizer.
Beefsteak and onions.	Condensed milk.
Beef and vegetable rations.	Consomme soup.
Beets.	Cooked meats.
Belting.	Cottonseed oil.
Boiled ham.	Corned beef.
Boiled kidneys.	Corned beef hash.
Bologna sausage.	Corned beef, ster.
Bone oil.	Corned pork.
Boned chicken.	Corned pork, ster.
Boned turkey.	Crude cotton oil.
Boxes.	Crushed cherries.
Brains.	Crushed peaches.
Bratwurst sausage.	Crushed pineapple preserves.
Brawn.	Crushed strawberries.
Brisket beef.	Cuban sausage.
Bristle.	Curled hair.
Butter.	Deviled meats.
Butterine.	Dried beef.
Cans and containers.	Dry kelp.
Canned mixed meats.	Dry salt meats.
Canned mixed meats and vegetables.	Emery paper.
Canned mutton.	Findings.
Canned pork.	Frankfurt style sausage.
Canned pork loaf.	Frozen eggs.
Canned pork sausage.	Fruits.
Canning.	Georgia hash.
Calf skins.	Glue.
Cases blackberries.	Glycerin.
Cases black raspberry and pulp.	Grape jice.
Cases cherry juice.	Grease.

Hair.	Potted and deviled chicken.
Ham.	Potted and deviled ham.
Ham bags.	Potted meats.
Hamburger steak.	Potted tongue.
Ham loaf.	Poultry.
Hardened oils.	Preserves and condiments.
Harness leather.	Refined cottonseed oil.
Heavy paper.	Refined oils.
Hog serum.	Renovated butter.
Hot tamales.	Roast beef hash.
Imitation maraschino.	Roaster fries.
Imported cherries.	Roast fowl.
Irish stew.	Roast mutton.
Jellies.	Salmon.
Kegs.	Salt mine.
Kits.	Sand and emery paper.
Kraut.	Sauerkraut and Virginia sausage.
Lamb, dressed.	Sausage meat.
Lambs' tongue.	Sausage meat, ster.
Lard.	Sheep pelts.
Lard compounds and substitutes.	Sliced bacon.
Lard oil.	Sliced beef.
Leather.	Sliced ham.
Liver and bacon.	Smoked pork products.
Liver sausage.	Soaps.
Luncheon beans.	Solid ox tails.
Luncheon sausage.	Soup and bouilli.
Lunch tongue.	Spaghetti, meat, and chili.
Lunch tongue, ster.	Spanico chili.
Milk.	Stewed kidneys.
Mince meat.	Stock food.
Mixed meats.	Summer sausage, sausage in oil, etc.
Mock turtle soup.	Surgical ligature.
Musical strings.	Sweet pickled meat.
Mutton, dressed.	Tallow.
Mutton suet.	Tanned hog skins.
Oxford sausage.	Tanned pig skins.
Ox marrow.	Tanned sheep skins.
Ox tail soup.	Tomatoes.
Ox tongues.	Tomato ketchup, chili sauce.
Oxygen gas.	Tripe.
Peanut butter.	Tubs.
Pepsin.	Veal, dresserd.
Pharmaceutical products.	Veal and ham loaf.
Phosphate rock.	Veal loaf.
Pickled meats.	Vegetable soup.
Pickles.	Vegetable stearine.
Pigs' feet.	Vienna sausage.
Pork and beans.	Virginia sausage.
Pork, dressed.	Wool, pulled and scoured.
Pork sausage meat.	

LIST 2. PRODUCTS HANDLED THROUGH BRANCH HOUSES.

Animal oils and stearines.	Bulk mackeral.
Ammonia.	Butter.
Ashton salt sax.	Butterine.
Bacon.	Canned apricots.
Barreled beef.	Canned asparagus.
Barreled pork.	Canned corn.
Beef casings.	Canned fish.
Beef extract.	Canned fruits.
Beef offal.	Canned hominy.
Big Rapid beans.	Canned meats.
Blood sausage.	Canned milk.
Boiled hams.	Canned okra.
Boiled sausage.	Canned oysters.
Bouillon.	Canned peaches.
Bulk herring.	Canned peas.

Canned salmon.	Hominy.
Canned sardines.	Horse radish.
Canned shrimp.	Jams and preserves.
Canned sweet potatoes.	Jellies.
Canned sauerkraut.	Laboratory products.
Canned tomatoes.	Lard compounds.
Canned and dry fruits.	Lard substitutes.
Canned vegetables.	Laundry.
Catsup.	Lard.
Cheese.	Leather.
Chili sauce.	Meal.
City sausage.	Meat.
Cleanser.	Milk.
Coco-Cola.	Mince meat.
Coffee.	Miscellaneous.
Colors.	Merchandise sales.
Cooking oil.	Molasses.
Condensed, evaporated, and powdered milk.	Mutton.
Condiments.	Neutral.
Corn grits.	Offal.
Corn meal.	Oleo.
Cream.	Oleo oil.
Cremol.	Oleomargarine.
Cotton investment.	Oil.
Cured herring.	Peanut butter.
Curled hair.	Pepsin.
Dressed beef and beef cuts.	Pickled ears.
Dressed veal and veal cuts.	Pickled hocks, etc.
Dried apples.	Pickled snouts.
Dried beans.	Pickled tongue.
Dried beef.	Pigs' feet.
Dried fruits.	Pork and beans.
Dried peaches.	Pork chitterlings.
Dried peas.	Poultry.
Dried raisins.	Produce.
Dried prunes.	Provisions.
Dry salt pork.	Pickles and condiments.
Dry sausage.	Rendering accounts.
Eggs.	Renovated butter.
Evaporated fruits.	Rice.
Evaporated milk.	Salad oil.
Fancy meat.	Salmon.
Fatty acids and soap grease.	Salt mackerel.
Feed meal.	Sauerkraut.
Fertilizers.	Sausage.
Flood sausage.	Sandpaper.
Flour.	Sheep casings.
Fresh fruits.	Sheep.
Fruit.	Soap.
Fresh pork.	Soda-fountain supplies.
Fresh vegetables.	Stearine.
Fresh and smoked sausage.	Suet.
Glue.	Sundry outside purchases.
Glycerine.	Sweet pickled pork.
Grain.	Tankage.
Grease.	Tallow.
Grape juice.	Toilet soap.
Grits.	Tripe.
Gut strings.	Vegetables.
Halstead fresh sausage.	Vinegar pickled goods.
Hams.	Washing soda.
Hog casings.	Wheat flour.
Hog offal.	Wool.

(Thereupon, at 11.55 o'clock a. m., the committee adjourned to meet to-morrow, January 8, 1919, at 10.30 o'clock a. m.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Wednesday, January 8, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. WILLIAM B. COLVER, CHAIRMAN FEDERAL
TRADE COMMISSION—Resumed.

The CHAIRMAN. The committee will come to order. Mr. Colver, you may proceed with your statement.

Mr. COLVER. Mr. Chairman and gentlemen, the legislation that is before the committee contemplates as a very important part of it regulation and control, by licensing or otherwise, of the stockyards of the country.

As bearing, then, on that phase of the legislation which is before you we have prepared a brief but rather comprehensive summary of the stockyard situation and how the conditions that now exist in the stockyards react on the various interests which come in contact with those yards.

LIST OF STOCKYARDS CONTROLLED.

The commission has said and says and believes that the ownership and control of a very great proportion of the stockyards, marketing places of the country, by the five packers, sometimes individually—that is, sometimes a single one of the five, sometimes two, sometimes another two, sometimes three, sometimes four—that the control of the yards is a very important factor in the domination of this group of five packers in the packing industry; and also as the interrelations, community of interest, and common ownership of the five packers are shown in the stockyards and in the subsidiary companies and corporations that are grouped around the stockyards, there will be found a relationship so close, so constant, that I think it will be difficult for it to come to be believed that these interests are, in fact, the active, aggressive competitors, one with the other, that is claimed for them by themselves.

The stockyards that are now completely or partially controlled by the five big packers are as follows—it is a list which I will put in the record. These 34 companies, or these 34 yards—

The CHAIRMAN (interposing). You say these 34 yards, but you have not mentioned anything before about them.

Mr. COLVER. For the purpose of having it in the record I have a list here, and I will read this list of names, and I was going to put it in the record just as it is.

The CHAIRMAN. As I understand it, at these 34 places which you name there are stockyards owned either by one or two or more of the five large packers.

Mr. COLVER. Yes; and controlled.

The CHAIRMAN. I mean owned or controlled.

Mr. COLVER. When we say "owned" we mean owned to such an extent that it involves control, or control other than by ownership, perhaps.

Name and address of company.	Total voting stock.	Per cent of Big Five control.
Bourbon Stock Yards Co., Louisville, Ky.	\$1,300,000	26
Brighton Stock Yards Co., Brighton, Mass.	10,000	95
Chicago Stock Yards Co.	8,000,000	19
Cleveland Union Stock Yards Co.	1,192,400	8
Central Union Stock Yards Co., Jersey City, N. J.	601,000	98
Crescent City Stock Yards Co., New Orleans	500,000	68
Denver Union Stock Yards Co.	1,500,000	100
Dallas Union Stock Yards Co.	16,000	100
El Paso Union Stock Yards	100,000	79
Fort Worth Stock Yards	2,750,000	69
Independent Union Stock Yards, St. Louis, Mo.	10,000	(2)
Interstate Stock Yards, Jacksonville, Fla.	25,000	99
Jersey City Stock Yards Co.	500,000	91
Kansas City Stock Yards	2,500,000	50.33
Laramie Stock Yards Co., Laramie, Wyo.	200,000	90
Milwaukee Stock Yards	200,000	100
Nebraska City Union Stock Yards, Nebraska City, Nebr.	40,000	100
Newark Stock Yards	50,000	99
New York Stock Yards	500,000	93
Oklahoma National Stock Yards	1,000,000	85
Pittsburgh Union Stock Yards	1,200,000	97
Portland Union Stock Yards	150,000	92
St. Joseph Stock Yards	2,500,000	83
St. Louis National Stock Yards	4,300,000	85
St. Paul Union Stock Yards Co.	2,500,000	64
Sioux City Stock Yards Co.	2,848,300	75
South San Francisco Stock Yards	231,000	91
Salt Lake Stock Yards	194,600	29
Union Stock Yards, Baltimore, Md.	800,000	5
Union Stock Yards of Lincoln, Burnham, Nebr.	300,000	90
Union Stock Yards of Omaha	7,496,300	31
West Philadelphia Stock Yards	300,000	46
Wichita Union Stock Yards	1,400,000	45
Total	45,214,600	52.7

¹ The commission has definitely located Armour's interest in the Chicago Stock Yards Co. as 19.4 per cent. There is also evidence that Swift and probably Morris were parties to the negotiations by which Armour acquired his interests, but it has not yet been possible to prove Swift and Morris stock ownership, because of the system by which the stockholders' names are concealed through the issuance of "bearer warrants" for the stock.

² Armour-Glippen interests.

³ Ninety-six per cent owned by St. Louis National Stock Yards.

⁴ Including Allerton family interests.

⁵ Sixty per cent, including proxies.

Then the table I have just read you is supplemented by a table which analyzes the ownership as to the individuals of these five packers—that is to say, in the case of the first one on the list, the Bourbon Stock Yards Co., of Louisville, Ky., the total voting stock is \$1,300,000—Armour, \$167,500, 13 per cent; Swift, \$166,500, 13 per cent, etc.

Going on down the list, the balance of it is analyzed in that way.

Mr. SWEET. Just a moment there, without interrupting your chain of thought. As to the stock yards that you have mentioned, do they operate them exclusively; in other words, these packers do not allow others to use the stockyards that you have named here on that list?

Mr. COLVER. No; I do not say that.

Mr. SWEET. I wish you would explain that a little.

Mr. COLVER. Yes; shall I explain it out of order, or shall I first—

Mr. SWEET (interposing). You may take it up in order.

Mr. COLVER. Yes. Then this list so analyzed, which is a development of the first list we have read—

The CHAIRMAN (interposing). It is an explanation of the first list!

Mr. COLVER. It is an explanation of the first list.

The CHAIRMAN. Then it can go in the record and be published.

Mr. COLVER. Brings us down to the final figure in the analysis that \$45,214,600, representing the voting stock of this list of companies, is owned, all these yards taken together, to the extent of 52.7 per cent ownership by these five packers, and each yard is analyzed with respect to the ownership and quantity and percentage of each of these companies.

Name and address of company.	Total vot- ing stock.	Armour.	Per cent.	Swift.	Per cent.	Morris.	Per cent.	Cudahy.	Per cent.	Wilson.	Per cent.	Total Big Five.	Per cent.
Bourbon Stock Yards Co.	1,300,000	167,500	13	166,500	13							334,000	25
Brighton Stock Yards Co.	10,000			6,000	60	3,500	35					9,500	95
Chicago Stock Yards Co. (Me.), Boston, Mass.	8,000,000	1,552,000	19									1,552,000	19
Central Union Stock Yards Co.	601,000											590,300	98
Cleveland Union Stock Yards Co.	1,192,400			100,000	8							100,000	8
Crescent City Stock Yards Co.	1,500,000			750,000	50	500,000	86					500,000	86
Denver Union Stock Yards Co.	1,500,000	750,000	50									1,500,000	100
Dallas Union Stock Yards Co.	15,000	16,000	100									16,000	100
El Paso Stock Yards	100,000											79,000	79
Fort Worth Stock Yards	2,750,000	956,700	35	940,800	34							8,086,300	86
Independent Union Stock Yards, St. Louis, Mo.	10,000	1,843	18.43	2,716	27.16	3,492	34.92			35	0.35	24,800	99
Interstate Stock Yards, Jacksonville, Fla.	25,000	24,800	99									406,900	91
Jersey City Stock Yards Co.	500,000	316,900	73	90,000	18							1,268,000	50.33
Kansas City Stock Yards.	2,500,000	2,900	0.12	5,300	0.21	1,184,400	47	50,000	2	25,400	1	200,000	80
Laramie Stock Yards Co., Laramie, Wyo.	200,000	200,000	90									200,000	100
Milwaukee Stock Yards.	200,000											40,000	100
Nebraska City Union Stock Yards, Nebraska City, Nebr.	40,000			200,000	100							40,000	100
Newark Stock Yards.	50,000			49,500	99							464,700	93
New York Stock Yards.	500,000					797,700	80					464,700	93
Oklahoma National Stock Yards	1,000,000											457,200	47
Pittsburg Union Stock Yards.	1,200,000	457,200	49.7							49,100	5	138,200	92
Portland Union Stock Yards.	120,000			124,700	83	13,500	9					138,200	92
St. Joseph Stock Yards.	2,500,000			1,360,500	54	739,000	29					2,099,500	89
St. Louis National Stock Yards.	4,300,000	826,600	19	1,189,200	28	1,552,200	36					3,583,400	83.36
St. Paul Union Stock Yards Co.	2,500,000	693,000	28	979,000	39							1,588,000	64
Sioux City Stock Yards Co.	2,818,300	400,000	14	1,603,900	56							2,138,000	75
South San Francisco Stock Yards.	231,000	8,240	4	122,430	53	73,920	32					210,857	91.28
Salt Lake Stock Yards.	194,000									4,620	2	56,260	29
Union Stock Yards, Baltimore, Md.	800,000					42,800	5					42,800	5
Union Stock Yards of Lincoln, Burnham, Nebr.	300,000	269,000	90									269,000	90
Union Stock Yards of Omaha.	7,496,300	2,202,700	29	175,600	2							2,378,300	31
West Philadelphia Stock Yards.	300,000					137,500	46					137,500	46
Wichita Union Stock Yards.	1,400,000							627,200	64.5			627,200	64.5
	45,214,000	8,702,383	19.4	7,861,146	17.4	5,591,712	12.4	868,207	1.9	724,855	1.6	23,818,303	52.7

¹ The commission has definitely located Armour's interest in the Chicago Stock Yards Co. as 19.4 per cent. There is also evidence that Swift and Morris probably were parties to the negotiations by which Armour acquired his interests, but it has not yet been possible to prove Swift and Morris stock ownership, because of the system by which the stockholders' names are concealed through the issuance of "bearer warrants" for the stock.

² Armour-Flippen interests.

³ 96 per cent owned by St. Louis National Stock Yards.

⁴ Including Allerton family interests.

⁵ Includes voting trust.

⁶ 60 per cent, including proxies.

PROPORTION OF STOCKYARDS BUSINESS CONTROLLED.

The annual business of these stockyards comprised in this list and in other yards in which the control is a less complete control, but is a control, comprises 83 per cent of the entire stockyards business of the country.

The CHAIRMAN. Do you mean the 34 stockyards you have mentioned control 83 per cent of the entire business of the country? You are not quite clear on that statement.

Mr. COLVER. Yes. This is the same list, and this table analyzes that with respect to cattle, calves, sheep, swine, horses, and mules, arriving at the figure of 83.5 per cent of all live stock traded in in all markets of the country.

Stockyards.—Proportion of receipts of live stock at yards controlled by the Great Five packers (including Chicago), and proportion of receipts at all yards in which the five great packers have any interest, to the totals at all yards in the United States, 1916 calendar year.

Animal.	Receipts at all yards (head).	Receipts at yards controlled by five great packers (including Chicago).		Receipts at all yards in which five great packers have any interest.	
		Head.	Per cent.	Head.	Per cent.
Cattle.....	15,027,483	12,487,526	83.1	13,012,161	86.6
Calves.....	2,743,435	2,160,584	78.8	2,368,292	86.1
Sheep.....	20,616,010	16,107,847	78.1	17,638,972	85.6
Swine.....	43,304,956	32,200,876	74.4	35,138,697	81.1
Horses and mules.....	1,366,901	1,156,697	84.6	1,187,959	86.9
Total, all animals.....	83,058,785	64,113,530	77.2	69,341,081	83.5

REASONS ADVANCED BY PACKERS FOR THEIR CONTROL OF YARDS.

It is insisted, and in defining its position in controlling the stockyards Swift & Co. especially have repeatedly, during the past year, made public the claim that in order to provide adequate facilities it became necessary for the packer to own and operate these stockyards; but in reply to questions submitted by the Federal Trade Commission July 23, 1917, Swift & Co. said:

As a matter of fact, the principal reason why packers have become interested in yards at all has been to develop them to the highest point of efficiency. When a live-stock market is young and undeveloped the opportunity to make profits is hardly sufficient to induce private capital to enter the business; it has, therefore, devolved on the packing companies to develop the yards in some cases, so as to establish a market which will attract shipments and to provide facilities for the proper handling of animals. And this the packers have done.

Since the primary desire of the packers in connection with stockyards is efficient service, Swift & Co. would be perfectly willing to relinquish such financial interests as it has in stockyards, provided it can be assured that the present high standard of efficiency in operation be continued.

Now, this is what that reply says, as I read it: That the stockyards business is one that does not attract private capital or independent capital in the early days; that is, in the early days of the development of the yards, and therefore these big packing companies have gone into the business and developed the yards.

Now, the record shows and the history shows that the reverse is true; that private capital has gone in and has established the yards, and has brought them to a point of great progress, and then the big packers have taken them.

The packers in their statement printed in the Congressional Record, October 3, 1918, and introduced as having been "prepared by the representatives of the meat-packing industry," made the following defense of their control of stockyards:

The producers of the live stock were unable and did not provide such facilities for caring for their product from the time of the arrival at the market until sold, and the railroad companies did not provide such facilities, so that it devolved upon the packers, at enormous cost, to establish and maintain the stockyards.

The packers did not acquire the stockyards and establish new ones at new centers in order to secure any peculiar or mysterious advantage over the industry, but it had to be done in order to secure proper facilities for accommodating the business and furnish fair treatment to the shippers.

The principal reason that the packers have become interested in the yards has been to provide such facilities and extend them as the business expanded. It is doubtful whether such efficient market places would ever have existed had they not been established in this manner.

Now, there is a statement that has been made as coming from all five of these companies and seems to be their statement of this case. That is proper, then, to be examined, I think.

FACTS AS TO STOCKYARDS' BONUSES TO PACKERS.

Of the 34 stockyards, the tables of which we have just presented, in which one or more of the five packers are financially interested, and in 16 of which they are jointly interested, probably not more than four or five were actually established by them. The four largest stockyards are those at Chicago, Kansas City, Omaha, and St. Louis, and not one of these was established by these packers or either of them.

The big packers first began a financial and managerial interest in stockyard companies about 30 years ago. Union stockyards at that time had been successfully established and successfully operated for a number of years, and apparently had kept pace with the development of the live stock and meat-packing industry.

The early stockyard companies in the course of their expansion began making the big packers inducements to establish packing plants nearby. These inducements took the form of gifts or bonuses, and soon encouraged the packers to see that they could use their going potency in the slaughtering business to demand or secure control of the yard business. By the exercise of this advantage, this prestige, as the principal supporters of stockyard markets, the packers rapidly secured from the original organizers and owners of the stockyard companies the control of the principal yards.

In some cases the original owners yielded control unwillingly, as will be indicated by the means used to acquire the control, in some cases. Control of several of the yards passed to the packers, not because returns on the investments were unsatisfactory to the original owners nor because the independent investors had not properly equipped and maintained the markets. The packers took over the yards because they were profitable and helpful to them in the control of the places where the live stock is bought and sold.

These five packers claim publicly that it devolved upon the packers at an enormous cost to establish and maintain the stockyards. That is in the statement which I have just read. The fact is that the yard companies have been and are extremely profitable to the packers.

The following are some of the direct gifts made to the large packers. The commission feels that it has not been able to locate all the gifts and bonuses that have been given to the packers by stockyard

companies, because, in the case of several of the companies, the records are destroyed or so concealed that the commission has not been able to get at them. Gifts are commonly made in the form of real estate or land, cash, and capital stock. Here are some of them:

The Chicago Stock Yards Co. to Armour, Morris, and Swift, \$3,000,000.

Kansas City Stock Yards Co. to Morris, plant real estate, \$575,000; and to Armour, \$500,000.

Mr. DOREMUS. I did not quite catch the connection there. What do those statements you are reading now represent?

Mr. COLVER. This represents gifts or bonuses that have been given from time to time by the stockyard companies to the packers in return for the packers establishing plants near those yards.

The CHAIRMAN. Do you mean plants or stockyards?

Mr. COLVER. The stockyard company makes the gift to the packing company in order to secure the location by the packer of a new packing house near the yards.

The CHAIRMAN. Do you mean stockyards in which these five great packers, or some of them, have an interest?

Mr. COLVER. No. The sequence of this thing was that the stockyards company started out giving gifts to the packing company to come—

The CHAIRMAN (interposing). Before the packing companies became owners?

Mr. COLVER. Yes; and then the packing companies, having got the gifts, got the yards.

The CHAIRMAN. Afterwards?

Mr. SANDERS. The yard was established first?

Mr. COLVER. Yes.

Mr. SANDERS. And they induced the packer to build the plant by making these gifts?

Mr. COLVER. Yes; and then they took the yards.

The CHAIRMAN. If I understand you, the owners of the yards make a contribution to the packers to get the packers to establish a meat-packing plant there?

Mr. COLVER. Quite right.

The CHAIRMAN. Then, afterwards, the packing plants became the owners of the yards?

Mr. COLVER. Yes.

The CHAIRMAN. Did they do it upon the suggestion of the previous owners of the yards or did they do it by aggressive means, or how?

Mr. COLVER. We will come to that in a moment. Here is a list now of a dozen of these matters which can go into the record, and I will not take time to read them, because the ones I have already read are typical:

Union Stock Yards Co. of Omaha:

To Swift.....	\$200,000
To Armour, 20 acres land and.....	857,800
To Cudahy, plant real estate and.....	75,000

St. Joseph Stock Yards Co.:

To Morris, plant real estate and.....	760,000
To Swift & Co., plant real estate and.....	480,000

National Stock Yards, St. Louis:

To Armour, 20 acres and.....	388,000
To Swift & Co., plant real estate and.....	100,000

St. Paul Stock Yards:	
To Swift	\$1,000,000
To Armour	500,000
Fort Worth Stock Yards:	
To Swift, plant real estate and	960,000
To Armour, 21 acres land and	960,000
Salt Lake City Stock Yards Co.:	
To Cudahy	275,000
Sioux City Stock Yards Co.:	
To Armour, 12½ acres land and	400,000
To Cudahy	200,000
Oklahoma Stock Yards Co.:	
To Morris, plant real estate and	242,500

HOW PACKERS SECURED CONTROL OF THE YARDS.

The following are among the chief methods by which the big packers secured control of the stockyards:

- Cash subscriptions to stock,
- Stock bonuses,
- Arbitrary appreciation of capitalization, and
- Reorganization of corporations.

The big packers have received numerous large bonuses from stockyard companies. Most of these have gone to the packers in the form of cash donations amounting to many millions of dollars. In addition to cash and stock bonuses the stockyard companies have also given the big packers large and valuable tracts of land for packing-house sites and for other purposes.

A part of the stockyard bonuses have been paid the packers in the form of stockyard company stock.

Here again the incomplete records of stockyard companies prevented the commission from ascertaining the full extent to which stock in the various stockyard companies was donated to the packers. At Omaha, St. Paul, and Fort Worth, for instance, where records were complete, we find bonuses in the form of stock amounting to \$3,857,800. In other words 30 per cent of the stock now held by the big packers in these three was given to them and represents no cash investment on their part. In addition, these companies made other gifts to the big packers, such as land. Armour and Swift in 1902 were each given \$300,000 Fort Worth Stock Yards Co. bonds.

One of the most common means to increase the big packers' yards holdings seems to have been to effect an increase in the capitalization of the stockyard companies simultaneously with writing up of the property valuations of the yards.

The earning power of the stockyards company, it was contended, depends on the importance of the market as a slaughtering center and a bonus given by the yard company was to secure a new packing plant or to cement the patronage of one or more of the big packers.

Examples of how this was done may be seen at St. Paul and Omaha. In 1897 the Union Stock Yards Co., of Omaha, voted to donate Armour & Co., or the Armour interests, 7,500 shares (\$750,000) of stock. As on former occasions of this nature, the company capitalized the donation by increasing its capital stock by \$1,000,000 and put this amount against the reappraised value of the real estate.

In 1898 the St. Paul Stock Yards Co. gave Swift & Co. \$1,000,000 of its capital stock and at the same time authorized an increase of its capitalization by this amount.

There have been several cases where stockyard companies have been reorganized as a means of transferring partial or complete control of the voting stock to the big packers. The most conspicuous examples of this are the organization of the Chicago Stock Yards Co. in 1911, and the reorganization of the Kansas City Stock Yards Co. in 1912.

The amount of the reorganization of the Kansas City Stock Yards Co., here inserted in the record, is as follows:

REORGANIZATION OF THE KANSAS CITY STOCKYARDS CO.

The Kansas City stock yards have been operated by various companies. The first started in 1871 with a capitalization of \$100,000. As its earnings increased the value of its real estate was written up and the capital stock of the company increased. Up to October 31, 1887, the capitalization had increased to \$2,500,000. On that date it was raised to \$5,000,000 and on December 31, 1887, the company had \$4,040,000 capital stock outstanding. Of this increased amount \$505,000 represented new subscriptions and \$1,515,000 was added by way of stock dividend. Another stock dividend of \$404,000 was paid out in 1890. In 1892 a bonus of 5,000 shares of common stock was given to Armour, and the real estate of the company appreciated with an equal amount. Due to additional capital increases and various reorganization schemes the capital stock of the present Kansas City Stock Yards Co. was raised to \$11,500,000, consisting of \$9,000,000 preferred and \$2,500,000 common, of which there is outstanding all the authorized common stock and \$7,991,500 preferred.

In 1907 a report was submitted to the Legislature of Kansas by a committee of its members selected to investigate the Kansas City Stock Yards Co. Due to the fact that the commission was unable after considerable effort to locate the records of the Kansas City Stock Yards Co. of Missouri, we submit the following extract from the report of the legislative committee. The Stock Yards Co. had been involved in Federal court litigation which terminated in 1900. A part of the findings of the committee was based on these court records. The extract follows:

"The records show that during 26 years of consecutive business the company paid on the capital actually invested in the business an average of 32½ per cent annually in cash dividends to stockholders and 34½ per cent in stock and real estate dividends to stockholders, or a total of 67 per cent in dividends was paid each year for 26 years. At various times during the 26 years the company was recapitalized, and in each instance two shares of new stock were given for one of the old. This record also shows that hardly two and one-half million dollars has been paid by the stockholders in cash to the treasurer of the company; that the balance of the outstanding stock (or \$5,000,000) is the capitalization of earnings, or the amount that the real estate is presumed to have increased in value during this time.

"The testimony shows that since the last reorganization the company has issued \$1,500,000 in bonds, and during this time its capitalization has been raised one and one-half millions, or to \$9,000,000, and that the bonds are being retired and stock substituted in their stead.

"The testimony relates that various packing companies have been induced to locate in the vicinity of the stockyards by the stockyards company; that practically in each instance the stockyards company has given them large cash bonuses, the sum of which is about \$2,400,000. The recorded evidence, however, and which has been admitted to be genuine, shows that these bonuses have been given principally in stock in cash paid out of the earnings of the company before the dividends were declared."

The exact extent to which the various Kansas City stockyards companies gave the packers bonuses and other concessions is not known to the commission, owing to its inability to locate the company's records. It did discover that a stock bonus of \$500,000 was given Armour & Co. in 1892 and a \$575,000 payment to Morris & Co. in 1904. According to the above quotation from the report of the

legislation committee bonuses paid the various packers amounted in 1909 to "about \$2,400,000."

The Morris control.—The commission did, however, secure enough data from various sources to establish the full packer control in the present Kansas City Stock Yards Co. of Maine and also the method by which the Morris interests got control in 1912.

The scheme that was devised to secure control of these yards may be summarized in the following statement:

Stockholders of the Kansas City Stock Yards Co. of Missouri were given the opportunity to exchange each share of stock in that company for one share of preferred (nonvoting) stock in the new company of Maine and \$10 in cash. In addition to it they were given the right to subscribe to one share of common (voting) stock of the new company of Maine at \$50 per share, the par value being \$100 a share, for each seven shares in the old company. The common stock of the old company amounted to only 82,500 shares, and, at seven for one, obviously not more than 11,785 shares of voting stock in the new company could go to the old stockholders. Since there were 25,000 voting shares of stock in the new company, the above scheme made it impossible for the stockholders of the old company to become the controlling factor in the new. The control had necessarily to rest with the party that bought up the balance left over of the 25,000 shares authorized.

That Edward Morris intended to secure this control for Morris & Co. or to Morris interests is clearly shown in the following letter written by himself to the Kidder, Peabody Co., of Boston. This letter also indicates that Edward Morris instigated the scheme of reorganization. The reorganization was accomplished practically as outlined in this letter:

OCTOBER 24, 1912..

MESSRS. KIDDER, PEABODY & Co.,

115 Devonshire Street, Boston, Mass.

DEAR SIR: I am proposing to organize a corporation under the laws of the State of Maine under the name of "Kansas City Stock Yards Co. of Maine," for the purpose of acquiring all or a substantial majority of the stock of the Kansas City Stock Yards Co. of Missouri.

The new corporation will have an authorized capital stock of \$11,500,000, of which \$9,000,000 par value will be preferred stock and \$2,500,000 par value will be common stock; both the common and preferred shares to be of the par value of \$100 each.

The preferred stock will be entitled to 5 per cent cumulative dividends, payable quarterly, the first dividend to be payable February 1, 1913. The preferred stock will also be preferred to the extent of par and accrued dividends in case of liquidation, but will have no voting power, except in case of failure to pay two consecutive dividends on the preferred stock, in which event it shall thereafter have full voting powers until all accrued and unpaid dividends have been paid in full. No mortgage or other encumbrances shall be placed upon the property of the new corporation without the consent of at least two-thirds in interest of the preferred stockholders.

I propose to offer to the stockholders of the Kansas City Stock Yards Co. of Missouri the opportunity to exchange each share of stock which they own in the Missouri corporation for one share of the preferred stock of the new Maine corporation, and I propose to pay to each stockholder of the Missouri corporation who elects to make such exchange the sum of \$10 in cash for each share so exchanged. This offer is to be conditional upon not less than 75 per cent in interest of the stockholders of the Missouri corporation exchanging their stock in accordance with this offer, provided, however, I may at my option make the exchange if a less number of stockholders elect to exchange their stock.

The amount of preferred stock of the Maine corporation to be issued in the first instance will be limited to the amount of stock of the Missouri corporation which is exchanged in accordance with the above offer.

Of the \$2,500,000 of common stock to be issued by the Maine corporation, I propose to take and pay for \$1,250,000 par value at \$50 per share in cash, and will cause the remaining \$1,250,000 par value to be offered for subscription at \$50 per share to such of the stockholders of the Missouri corporation as elect to exchange their stock for preferred stock of the Maine corporation on the basis of one share of the Maine corporation for every seven shares of the Missouri corporation. Where the number of shares owned by any one

individual is not divisible by seven, if the excess number of shares owned by him is four or more he shall have the right to subscribe for one additional share of stock. If the excess number of shares is less than four he shall have no right to subscribe in respect of the excess number of shares. I propose that the taking of this remaining \$1,250,000 par value of common stock at \$50 per share shall be underwritten, for which I propose to pay an underwriting commission of \$62,500.

I desire to secure your services in procuring the consent of the stockholders of the Kansas City Stock Yards Co. of Missouri to the exchange of stock herein proposed, and if you will undertake the matter, I will pay to you the sum of \$25,000 in case not less than 75 per cent in interest of the stockholders elect to make the exchange, or if I elect to make the exchange with a less percentage of the stockholders consenting thereto, and I will pay you in addition the sum of 75 cents per share for every share of the stock of the Missouri corporation which is exchanged in addition to the 75 per cent hereinbefore mentioned.

The proceeds of the common stock of the Maine corporation will be used by me for the following purposes:

To pay the sum of \$10 to each of the stockholders of the Missouri corporation who elects to make the exchange; to the payment of the underwriting commission of \$65,500; to the payment of your compensation, and the payment of all legal and other expenses incurred in connection with the carrying out of this proposition, and the balance remaining will be paid into the treasury of the Maine corporation, so that the entire amount of common stock of the Maine corporation and the entire amount of preferred stock to be issued in the first instance will be issued as fully paid in exchange for the stock of the Missouri corporation which is exchanged in accordance with this offer, and in addition the net amount of cash remaining from the proceeds of the common stock which is to be paid into the corporation as hereinbefore stated.

The opportunity to exchange the stock hereinbefore provided for will remain open until December 2, 1912, unless the time for such exchange is extended by me.

If you undertake to arrange for the exchange of the stock on my behalf, I agree from time to time to provide you with such preferred stock of the new Maine corporation, such amount of cash and such amount of common stock of the new Maine corporation as may be required to be issued and paid to the stockholders of the Kansas City Stock Yards Co. of Missouri.

If the foregoing plan should not be carried out because a sufficient number of stockholders of the Kansas City Stock Yards Co. of Missouri fail to consent thereto I will reimburse you for all legal expenses which you may have incurred in the premises.

Yours, very truly,

EDWARD MORRIS.

The following is the Kidder, Peabody & Co. reply and agreement to act on the medium of stock exchange:

OCTOBER 30, 1912.

EDWARD MORRIS, Esq.,

Chicago, Ill.

DEAR SIR: We acknowledge the receipt of your favor of October 24, relative to our acting in connection with the proposed exchange of stock of the Kansas City Stock Yards Co. of Missouri for stock of the Kansas City Stock Yards Co. of Maine and will act for you in the matter upon the terms stated in your letter.

We understand that since your letter of October 24 was written, the following modifications have been agreed to by you:

First. Stockholders in Kansas City Stock Yards Co. of Missouri shall have the right to subscribe for fractions of a new share of common stock and the right to subscribe to fractions of the new shares shall be assigned.

Second. As we are to act as depositary, we are to be paid the usual fees of a depositary in addition to the other compensation provided for in your letter of October 24.

Third. If not less than 75 per cent in interest of the stockholders of the Kansas City Stock Yards Co. of Missouri have deposited their stock with us on or before December 2, 1912, you will, at our request, extend the time for making exchanges of stock for a period of not exceeding six months.

Very truly, yours,

On October 31, 1912, the Kidder, Peabody & Co. issued to the stockholders of the Kansas City Stock Yards Co. of Missouri the following circular:

To the stockholders of the Kansas City Stock Yards Co. of Missouri:

The directors of your company have unanimously approved the following plan for the exchange of stock in your company for the stock of a proposed new company to be known as the "Kansas City Stock Yards Co. of Maine," having a capitalization of \$11,500,000, divided as follows:

Common stock (par value of \$100 each), \$2,500,000.

Preferred stock (par value of \$100 each), \$9,000,000. Entitled to 5 per cent cumulative dividends quarterly, the first dividend to be payable February 1, 1913. The preferred stock will also be preferred to the extent of par and accrued dividends in case of liquidation, and will have no voting power except in case of failure to pay two consecutive dividends on the preferred stock, in which event it will thereafter have full voting powers until all accrued and unpaid dividends have been paid in full. Provision will be made to the effect that no mortgage or other encumbrance shall be placed on the property of the Maine corporation except with the consent of at least two-thirds in interest of the preferred stockholders.

Stockholders of the Kansas City Stock Yards Co. of Missouri may exchange each share of stock in the Missouri corporation for one (1) share of the preferred stock of the new Maine corporation and \$10 in cash, and such of the stockholders of the Missouri corporation as elect to assist this offer may subscribe to one share of the new common stock of the Maine corporation at \$50 per share for each seven (7) shares in the Missouri corporation owned by them and deposited.

Rights to subscribe for new common stock will not be assignable, except that rights to subscribe to fractions of one new share may be purchased or sold so as to enable the holder to subscribe for one full share.

The amount of preferred stock of the Maine corporation to be issued in the first instance will be limited to the amount of stock of the Missouri corporation which is exchanged in accordance with the above offer.

We mention that the entire issue of common stock has been subscribed for and underwritten, payable in cash at \$50 per share, which insures the successful placing of the common shares in case the present shareholders do not avail of the offer.

The cash proceeds of the common stock will be applied in the first instance to the payment of the \$10 per share to be paid to the stockholders of the Missouri corporation, to the payment of an underwriting commission of 5 per cent on the \$1,250,000 of common stock which is offered for subscription as above stated, and to the payment of the other expenses of carrying out the proposed plan, including the compensation of the bankers, and the balance will be paid into the treasury of the Maine corporation.

The entire amount of preferred and common stock of the new Maine corporation to be issued in the first instance will be issued as fully paid for the stock of the Missouri corporation which is exchanged and the cash to be paid into the Maine corporation, as above stated.

The directors of the Kansas City Stock Yards Co. of Missouri and the largest stockholders of that company have already agreed to deposit their holdings in exchange for the preferred stock of the new Maine corporation and to subscribe for the full quota of common shares to which they are entitled.

We inclose herewith form of consent to exchange of stock and subscription to common stock of the Maine corporation. Stockholders who desire to avail themselves of the opportunity to exchange their stock should sign the inclosed assent and forward it to the undersigned, together with their certificates of stock of the Missouri corporation indorsed in blank. They will receive in exchange therefor our negotiable receipt. Such of the stockholders as elect to exchange their stock and desire to subscribe for the new common stock should also fill out the subscription agreement.

Unless at least 75 per cent in interest of the stockholders of the Missouri company have deposited their stock for exchange with us on or before December 2, 1912, we may, at our option, be relieved from all liability hereunder by returning to the depositing stockholders the stock deposited by them.

In case the plan is declared operative, we shall, upon receipt of the stock of the Maine corporation, be prepared to retire our receipts, issuing therefor such an amount of preferred shares and such an amount of common shares in the

Maine corporation, plus balance due in cash, to respective depositing shareholders, as receipts call for.

No charge will be made to depositors.

KIDDER, PEABODY & Co.,
115 Devonshire Street, Boston, Mass.

Boston, October 31, 1912.

Accompanying and printed as a part of the above circular was the following statement:

We, the undersigned, directors of The Kansas City Stock Yards Co. of Missouri, having carefully considered the offer of Kidder, Peabody & Co., set out in their circular under date of October 31, 1912, and being unanimously of the opinion that it is for the best interest of our shareholders to accept the same, have agreed to deposit our shares (except qualifying shares) and have subscribed to such shares of the common stock of the Kansas City Stock Yards Co. of Maine as we are entitled to, and we recommend the same action on the part of all stockholders.

CHARLES F. ADAMS.
CHARLES F. MORSE.
WALTER HUNNEWELL.
FRANCIS L. HIGGINSON.
EUGENE V. R. THAYER.
C. MINOT WELD.
FRANK H. DAMON.

Present status of Morris control.—The reorganization accomplished its purpose and assured the Morris interests control of the Kansas City Stockyards. Of the 25,000 common or voting shares of the new Maine company, the Morris interests now control at least 15,000 shares. Of these shares only 26, according to list of shareholders furnished the commission, stand in any Morris name. However, by means of questionnaires and by direct examination of stockholders and records the real control of the Morris shares was shown to be as follows:

	Shares.
Morris & Co.....	26
E. V. R. Thayer, New York City*.....	6,177
Martin H. Foss, Chicago*.....	290
R. A. Hatchings, Boston*.....	4,165
Morris & Co. employees.....	1,186
Other shareholders giving proxies to Morris interests (1917).....	4,135
Total.....	15,979

The following letters show the stock held for the Morris interests by the persons marked with an asterisk (*):

THE MERCHANTS' NATIONAL BANK OF BOSTON
Boston, Mass., January 23, 1918.

Mr. LEONIDAS L. BRACKEN,
Secretary Federal Trade Commission, Washington, D. C.

DEAR SIR: In reply to your favor of January 12, I beg to say that the 4,165 shares common stock of the Kansas City Stock Yards Co. of Maine registered in my name were indorsed in blank and forwarded to the estate of Edward Morris, Chicago. The name or names of the beneficiary or beneficiaries are not known to me, and I did not receive any consideration for making such assignment.

Yours, very truly,

R. A. HATCHINGS.

EUGENE V. R. THAYER,
57 Broadway, New York, January 21, 1918.

L. L. BRACKEN, Esq.,
Secretary Federal Trade Commission, Washington, D. C.

DEAR SIR: I am in receipt of your favor of January 12, and in reply I beg to say that I am the sole owner of the 100 shares Kansas City Stock Yards Co. of Maine, preferred stock, referred to. Of the 6,191 shares of common stock registered in my name 14 shares are owned by me, the balance having been indorsed

in blank and forwarded to Mr. Edward Morris, of Chicago. The name or names of the beneficiary or beneficiaries are not known to me, and I did not receive any consideration for making such assignment.

Very truly, yours,

EUGENE V. R. THAYER.

MARTIN H. FOSS, LAWYER,
104 SOUTH LA SALLE STREET,
Chicago, January 25, 1918.

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: Replying to your communication of the 12th instant re 365 shares common stock of Kansas City Stock Yards, I beg to state that I am not the owner of said stock. To the best of my knowledge and belief it stands in my name in trust for the following-named persons:

	Shares.
Mrs. Helen Nielson, Chicago, Ill.-----	66
Nelson S. Morris, Chicago, Ill.-----	112
Edward Morris, Jr., Chicago, Ill.-----	112
Thos. E. Wilson, Chicago, Ill.-----	75
	365

MARTIN H. FOSS.

It will be recalled that Edward Morris set out at the time of the reorganization of the Kansas City Stockyards Co. the latter part of 1912 to secure 12,500 shares of the new common stock. The following receipt, dated January, 1913, would indicate that he was successful in this undertaking:

"CHICAGO, ILLINOIS, January —, 1913.

"Received from Eugene V. R. Thayer certificates for twelve thousand five hundred (12,500) shares of the common stock of the Kansas City Stock Yards Company of Maine, described as follows:

" Certificate No. 616 for 3,000 shares.
" " 617 " 3,000 "
" " 618 " 3,000 "
" " 619 " 3,500 "

Total----- 12,500 "

"(Signed)

E. MORRIS.

By O. M. MACFARLANE."

The fact that the commission has not ascertained the present Morris holdings to be as large as they evidently were in 1913 does not prove that the entire 12,500 shares are not still controlled by the Morris interests. The following letters may be taken as an indication of this:

[Morris & Co. Union Stock Yards, Chicago.]

CHICAGO, February 5, 1917.

MR. EUGENE V. R. THAYER,
30 State Street, Boston, Mass.

DEAR SIR: I inclose herewith certificates No. A26 for 100 shares of Kansas City Stock Yards Co. of Maine stock in your name.

Will you kindly have issued in lieu thereof new certificates to read William T. Kemper 50 shares, Eugene V. R. Thayer 50 shares, the certificates in your name to be assigned in blank the same as before?

I inclose \$1 for State transfer tax.

Kindly mail me new certificates at your earliest convenience, and oblige,

Yours, truly,

F. J. CRAMSIE.

FEBRUARY 20, 1917

F. J. CRAMSIE, esq.,
Morris & Co., Union Stock Yards, Chicago, Ill.

DEAR SIR: Referring to your letter of February 5, I am sending you herewith by registered mail certificate No. 1277, for 50 shares Kansas City Stock Yards

common stock in my name, indorsed in blank, this being a part of the 100 shares sent me for transfer. The 50 shares which have been transferred to William T. Kemper are still in the hands of the transfer agents, as they will not deliver this stock to me until the address of Mr. Kemper is supplied them. I wrote you asking for this address on the 10th instant, but have not yet received a reply. Will you kindly give this matter your attention, and the stock will be forwarded you.

Very truly, yours,

Mr. COLVER. Taking up the cash subscriptions to stock, the commission did not locate all of the capital investment records of some of the important stockyard companies, but the important cases, where the records are complete, show that the big packers invested only a small amount of cash in the stockyards as compared with their present holdings.

In several instances cash subscriptions were made below par, as in the case of the Morris interests securing their 12,500 shares of the common stock of the Kansas City Stock Yards Co. at \$50 per share when the par value of the stock was \$100.

CHICAGO STOCK YARDS CO. OF MAINE.

A marked example of how little cash was invested as compared with their holdings is shown in the following case:

In September, 1911, Mr. F. H. Prince, a banker of Boston, Mass., and Mr. J. Ogden Armour, of Chicago, formed a corporation known as the Chicago Stock Yards Co. of Maine. This company was formed for the purpose of acquiring control of the Chicago Junction Railway & Union Transit Co. of New Jersey, which in turn controlled the properties represented by the Union Stock Yards Co. of Chicago and sundry other properties. One million dollars in cash was paid in, of which Mr. Armour contributed \$194,000. A few months later the capital stock of this Maine corporation was increased to \$8,000,000.

The CHAIRMAN. From \$1,000,000?

Mr. COLVER. From \$1,000,000 without the contribution of a cent in money.

The CHAIRMAN. Or other property?

THE "PLAN."

Mr. COLVER. The only thing that was contributed or that was written in for that \$7,000,000 was a typewritten plan, a plan which set out what an advantageous thing it would be to pile a third corporation on top of the two that were already piled up, and guarantee a dividend to subsidiary companies, and the only thing in the world that represented that \$7,000,000 was that typewritten plan.

The CHAIRMAN. Who furnished that valuable plan?

Mr. COLVER. The typewritten plan?

The CHAIRMAN. The \$7,000,000 plan. I do not mean the name, but what interests?

Mr. COLVER. In the books, it was furnished by the secretary of Mr. Prince, who was Mr. Armour's partner in this transaction, a man named Pegram.

The CHAIRMAN. Was it a patent?

Mr. COLVER. Oh, no.

The CHAIRMAN. What was it—a mere suggestion?

Mr. COLVER. I think the best description of it is that it was a prospectus.

The CHAIRMAN. A prospectus?

Mr. COLVER. Yes.

The CHAIRMAN. And no property value of any kind went with it or became a part of it?

Mr. COLVER. No; it was either a prospectus or aqua pura.

The CHAIRMAN. Have you a copy of that plan, or whatever it was, that was sold for \$7,000,000?

Mr. COLVER. Yes; we will put it in at this point.

The CHAIRMAN. Yes. Then proceed.

Mr. STEPHENS. We will see whether it was worth it or not.

Mr. COLVER. It was worth it because it earned dividends.

Mr. SWEET. Was any stock issued for the \$8,000,000?

Mr. COLVER. \$8,000,000 was issued.

(The "plan" referred to follows:)

An agreement made this 27th day of September, 1911, between Frank R. Pegram, of Cohasset, in Massachusetts, of the one part, and the Chicago Stock Yards Co., incorporated under the laws of Maine (herein called the company) of the other part.

Whereas the said Pegram and his associates caused to be formulated a plan dated June 30, 1911, with the following, namely:

Messrs. Richard Olney, chairman, Guy Norman, S. L. Schoenmaker, E. V. R. Thayer, F. R. Hart, as committee, and the said Pegram has obtained the assent to the said plan of the holders of more than 60,000 common shares of the Chicago Junction Railways & Union Stock Yards Co. As evidenced by their assents deposited with the Old Colony Trust Co. and the said Pegram now holds and controls the said assents and the right to transfer the same, together with all interests therein and all benefits to accrue therefrom.

And whereas the said plan—

(a) Assures to the Chicago Junction Railways & Union Stock Yards Co. a continuance of the business now carried on by the packers upon a permanent basis and a great increase in the earnings, profits, and dividends, to which the holders of the common shares of the Chicago Junction Railways & Union Stock Yards Co. will become entitled as well as a great increase in the value of the said shares; and

(b) Will vest in the company (if it shall acquire the uses and benefits of the said plan) the right to all dividends and other payments out of earnings apportionable to the said common shares the holders of which have heretofore assented or may hereafter assent to the said plan over and above the fixed annual charges specified in the said plan. But the company can not receive any of the said benefits without having acquired the same from the said Pegram nor without having raised \$1,000,000 in cash in order to comply with the conditions specified in the said plan.

And whereas the company has been organized under the laws of Maine, with a capital of \$1,000,000, and desires to acquire the uses and benefits of the said plan and the action of the said shareholders thereunder and requires the sum of \$1,000,000 in cash so to do.

Now, therefore, it is agreed by and between the parties hereto as follows:

(1) The said Pegram hereby sells, assigns, transfers, and sets over to the company, its successor and assigns, the said plan dated June 30, 1911, and all the assets thereby of the shareholders of the Chicago Junction Railways & Union Stock Yards Co., which have heretofore been made as well as all such assets that may hereafter be made together with all right, title, interest, and benefit in and to the said plan and assets of every kind and nature. And the said Pegram agrees to pay to the company forthwith the sum of \$1,000,000 in cash.

(2) The company hereby accepts the foregoing property and acknowledges that it has received the payment of the said sum of \$1,000,000.

(3) As consideration for the said property and for the services of the said Pegram the company agrees to pay \$8,000,000 therefor, payable in the full paid nonassessable stock of the company at par. The company agrees to issue and deliver forthwith to the order of the said Pegram \$999,000 par value of the capital stock of the company now authorized and not heretofore subscribed. The company further agrees to cause to be delivered forthwith to the order

of the said Pegram the \$1,000 par value of its capital stock theretofore subscribed. The company further agrees to increase its authorized capital stock to an authorized amount of \$8,000,000 capital and to issue and deliver to the order of the said Pegram \$7,000,000 par value of its shares as soon as such increase can be made according to law.

In witness whereof the said Pegram has hereto affixed his hand and seal and the company has caused its common seal to be hereto affixed and these presents to be signed in its name and behalf of its proper officer the day and year first above written.

[SEAL C. S. Y. CO.]

FRANK R. PEGRAM. [SEAL.]
CHICAGO STOCK YARDS CO.,
By GEORGE F. DOHERTY, *President.*

Attest: NORMAN J. MACGAFFIN.

CHICAGO STOCK YARDS CO. PLAN,
Dated June 30, 1911.

On behalf of the Chicago Stock Yards Co., if and when formed (hereinafter called the New Company), it is proposed to the holders of common stock of the Chicago Junction Railways & Union Stock Yards Co., subject to the terms and conditions hereinafter set forth, as follows:

To enter into a trust agreement with such of said stockholders as may elect to become parties hereto whereby, among other things, said assenting stockholders will receive the guaranty and agreement of the new company (by way of a stamp thereof on their respective stock certificates) to pay such stockholders annually the fixed sum of \$9 in respect of each share of said stock in quarterly installments of \$2.25 each. There is also extended to the holders of such stamped certificates the privilege of exchanging the same for collateral trust bonds on the basis of \$200 face amount of 50-year 5 per cent collateral trust gold bonds of the new company in such form and secured as the committee may prescribe or approve for each share, which privilege shall remain in force until the new company shall give or cause to be given in such manner, and for such period as the new company, with the written approval of the committee, may fix and determine, notice of the withdrawal and termination thereof.

The Old Colony Trust Co. is hereby designated and authorized to receive from stockholders electing to become parties to this plan stock certificates for the purpose of being subjected to the trust agreement and stamped as in the above paragraph provided, and pending the declaration by the committee that this plan has become and is operative assents and agreements of stockholders manifesting their election to accept this plan and to become parties thereto.

This plan and the said trust agreement shall become operative if and when in the opinion of the committee it has become advisable to carry the same into effect.

Upon such declaration being filed with the Old Colony Trust Co. the new company shall deliver to the trust company the collateral trust bonds (or interim certificates temporarily representative thereof) which are deliverable to stockholders who shall at that time have elected to avail themselves of the provisions hereof.

The trust agreement shall be deposited with the Old Colony Trust Co.

Each and every holder of such common stock who shall deliver the certificate therefor or who shall deliver to the said trust company his assent to said plan as above authorized and provided for shall thereby become a party to this plan and the agreements herein contained with the same force and effect as if he had subscribed and affixed his seal to this plan and the agreements herein contained.

Each such depositing or assenting stockholder agrees that, upon demand of the committee or of the Old Colony Trust Co., he will from time to time execute such assignments, powers of attorney, and other instruments as the committee shall deem necessary or proper to more fully effectuate the transfer of such stock certificates, the stamping of said guaranty thereon, the making of such stockholder a party to the trust agreement, and the accomplishment of the provisions thereof.

The committee undertakes in good faith to promote the consummation of this plan; but it is expressly understood that no member of the committee assumes any responsibility for its success. No member of the committee shall be in any wise liable because of the aforesaid offers for the promulgation of this plan.

The committee shall have the power, in its discretion, from time to time, to extend the time within which the holders of any of the aforementioned common stock may deposit the same and become parties to the trust agreement, and in connection therewith to impose such terms and conditions as it shall see fit including the making of a cash payment as a condition of becoming a party or parties; to provide that any member thereof may, with the approval of the other members, act and vote by proxy; to prescribe the form and terms of any securities for the issue of which provision is made in the said plan and agreement; to declare the aforesaid offers and this plan operative if and when the committee shall, in its discretion, deem that the amount of the deposited and assenting stock is sufficient to warrant such declaration, and the declaration of the committee shall be final and conclusive upon all parties hereto; to provide after the making of said declaration, if, and when the committee sees fit, and upon such terms as it shall prescribe, for the acceptance of the said offer by holders of any of the aforementioned stock not deposited prior to such declaration; to carry out and effectuate this plan in whatever manner the committee shall at the time deem most expedient, and, generally, to make and determine all arrangements and things which, in its judgment, are necessary or expedient to carry out this plan; to construe this plan and the appended trust agreement.

Any such construction by the committee, or any action under any such construction made or taken in good faith, shall be final and conclusive. Also to supply any defect or omission of or in this plan or said agreement, or to reconcile inconsistencies in it in such manner and to such extent as shall, in the opinion of the committee, be necessary or expedient to carry out the same properly and effectively, and the committee shall be the sole judge of such necessity or expediency; and from time to time to make such modifications of said agreement as it shall consider necessary or expedient, provided it is consistent with its general purpose and does not change the price which the common stockholders shall receive for their share or the terms of the guaranty thereon; in case of election to accept the guaranty. The new company shall have power to make any and all adjustments of interest, and dividends by it deemed fair and equitable in case of the exchange of any such stock or stamped certificate for bonds, and such adjustment shall be final and conclusive.

In the event of the resignation, death, or inability to act of any member of the committee, the vacancy so caused shall be filled by the remaining members of the committee.

All action of the committee may be had and taken by a majority of its members.

In no event is any claim to be made against any depositing or assenting stockholder, or enforced by way of lien, or otherwise, against any of the deposited or assenting stock for which such certificates shall have been issued, for or on account of the charges or expenses of the committee. The compensation of the committee and of the trustee and all expenses of the committee and of the trustee, in connection with the carrying out of this plan and said trust agreement, shall be paid by the new company.

No assenting stockholder shall have any interest in any of the shares of stock of the New Co. or of the disposition thereof.

The provisions and benefits of this plan and said trust agreement shall be confined strictly to the parties thereto, in accordance with the terms and provisions thereof.

This plan and said trust agreement shall be deemed, according to its terms, to bind and benefit the several parties thereto, their and each of their survivors, executors, administrators, and assigns.

RICHARD OLNEY, *Chairman.*

SAMUEL CARR.

GUY NORMAN.

S. L. SCHOONMAKER.

E. V. R. THAYER.

F. R. HART, *Secretary.*

17 COURT STREET, BOSTON, MASS., June 30, 1911.

Mr. COLVER. Mr. Armour shared pro rata in the new stock which was issued, thereby increasing his stock holdings from \$194,000, which was put in in cash, to \$1,552,000, without the payment of an additional cent.

This company has paid dividends at the rate of 5 per cent annually on the \$8,000,000 of capital stock, regularly since January 1, 1914, and has paid one extra dividend of 3 per cent. The net result has

been that Mr. Armour has received, as his share of the dividends, \$356,950 from January, 1914, to December 31, 1917.

The CHAIRMAN. What did the Boston man get?

Mr. COLVER. And the dividends are made possible or derived from the charges which are made in the yards at Chicago.

Mr. MURDOCK. Mr. Colver, Mr. Sims just asked you at that point what did Mr. Pegram, the Boston man, receive?

The CHAIRMAN. What did he receive in the way of dividends during this time?

Mr. COLVER. He received his salary as secretary.

THE "BEARER-WARRANT" DEVICE.

The CHAIRMAN. Who got the dividends on the other portion of the \$8,000,000 of stock which was not drawn by Mr. Armour?

Mr. COLVER. That has got the riddle of the Sphinx beaten to death, because that company is the most remarkable company, perhaps, in the United States. There is a company that nobody knows who owns it. There is a company that has the most amazing device for ownership, I think, that any of you gentlemen, or certainly any of us in the commission, ever heard of. I can not tell you who gets it.

The CHAIRMAN. Can you tell the committee who owns that stock of record on the books which Armour does not own?

Mr. COLVER. The stock of record on the books is owned by the treasurer of the company.

The CHAIRMAN. The treasurer?

Mr. COLVER. The treasurer of the company.

The CHAIRMAN. As an individual?

Mr. COLVER. As trustee.

The CHAIRMAN. As trustee of the company?

Mr. COLVER. As trustee for the folks who own the stock. He owns it as trustee for the owners of the stock. The company is a Maine corporation, with offices in Boston, and owns stock in the company which owns the stock of the stockyards in Chicago, if you follow me.

The CHAIRMAN. I follow you as far as you have gone.

Mr. COLVER. Every share of stock in that company is in the hands, theoretically, of the treasurer of the company. The president of the company lives in Maine, and he has a share of stock.

The CHAIRMAN. One share?

Mr. MURDOCK. One share.

Mr. COLVER. He gets a dividend of \$2.50. We asked him if he kept it, and he said, "Oh, no"; that he had to turn that in. Every share of that stock, as I say, stands on the books in the name of the treasurer of the company, and in return for that the treasurer of the company issues a stock warrant. The stock warrant says:

Chicago Stock Yards Co. Warrant to bearer.

Then this warrant goes on to say—

The CHAIRMAN. Well, read it.

Mr. COLVER (reading):

This is to certify that the bearer of this warrant is entitled to ——— fully paid-up shares in the Chicago Stock Yards Co. upon demand, and meanwhile to receive all dividends declared upon the said shares and to exercise the voting powers in respect thereof under and subject to the provisions of article 25 of the by-laws of the company, a copy of which is indorsed hereon. [On the back.]

In witness whereof the Chicago Stock Yards Co. has caused this warrant to be signed by its president or vice president and its secretary or an assistant secretary this ——— day of ———, ———.

with blanks for the signature of the president—the \$2.50 president, who does not keep his \$2.50—the secretary, and countersigned, and registered by the State Street Trust Co., of Boston; and over on the back article 25 says—now, mind you, no name has appeared here, none whatever.

The CHAIRMAN. It does not show who owns the stock to whom that warrant is issued?

Mr. COLVER. Nobody knows.

The CHAIRMAN. I say it does not show the owner of the stock to whom this warrant is issued?

Mr. COLVER. It does not show. Now, on the back is the provision of how the bearer, not the owner, but the bearer, of this certificate may exercise the two sovereign rights of stockholders; that is, vote and get dividends.

In order to get this dividend, there is annexed—I am giving you the substance of this article 25, and if it is agreeable to you I will then hand the paper to the stenographer and article 25 will go in in full.

The CHAIRMAN. Have him put it in the record just as it is.

Mr. COLVER. I will give you the substance of it as near as I remember it.

ARTICLE 25. WARRANTS FOR SHARES TO BEARER.

(1) The company may upon the delivery to it of the certificate for any fully paid up share or shares with a transfer thereof to the company issue for the share or shares therein specified a warrant or warrants entitling the bearer to such share or shares and providing by coupons or otherwise for the payment of the future dividends on such share or shares.

(2) The shares specified in the certificate so delivered up shall from time to time be transferred to the company as agent for share warrants and deposited with the registrar of share warrants and shall not afterward be transferred and no certificate shall be issued therefor except in accordance with the provisions hereof.

(3) The warrants shall be under the common seal of the company and shall be signed by the president or a vice president and by the secretary or assistant secretary or some other person appointed in place of the secretary by the directors. The dividend coupons attached to the warrants shall bear the facsimile signature of the treasurer of the company which may be adopted and used by the company notwithstanding that such person may have ceased to be treasurer at the time such coupons are issued. When all of the coupons attached to any warrant shall have been paid a new sheet of coupons will be attached to the warrant upon presentation thereof to the company.

(4) If any warrant or coupon shall be worn out or defaced the directors may on surrender thereof issue a new one in its place.

(5) The directors may upon proof to their satisfaction of the loss or destruction of any warrant or coupon and upon such indemnity being given to the company as they shall deem adequate issue another warrant or coupon in its place.

(6) The company shall be entitled to recognize the bearer of any warrant or coupon as absolutely entitled to the share or shares or dividend therein specified.

(7) The bearer of a warrant may deposit the warrant at the office of the company or at any bank or trust company not less than three days before any meeting of the company and the company or the bank or trust company may issue to the depositor a deposit receipt and a voting certificate in such form as the board of directors shall provide. The voting certificate shall entitle the depositor to attend and vote and exercise the rights of a member at such meeting in respect of the share or shares for which the warrant or warrants have

been so deposited and to receive at or prior to the meeting such proxy or instrument as may be necessary to enable him so to do and after the meeting the warrant or warrants shall be returned to the bearer of the deposit receipt upon surrender thereof. And in respect of all shares specified in any warrants that shall not have been so deposited the treasurer shall attend and vote and exercise the rights of a member in such manner as he and the president of the company shall agree.

(8) If the bearer of a warrant shall surrender it together with the unmatured coupons thereto belonging and request in such form as the directors prescribe that he be registered as a stockholder or member in respect of the share or shares specified in it the company shall transfer into his name the share or shares specified in the certificate of shares originally delivered up in respect of which said warrant was issued and shall issue a new certificate therefor. The registrar of share warrants shall transfer from time to time shares deposited with it as aforesaid in such manner as may be necessary to give effect to the foregoing provisions. And all transfer agents and registrars of the company shall be relieved from all liability in respect of such transfers.

(9) The company shall appoint a registrar of share warrants who shall countersign and register all warrants before they are issued no warrant shall be valid unless so countersigned and registered.

(10) The company may appoint agents in Boston or elsewhere with full power and authority to do all things that may be necessary to carry out and give effect to the foregoing provisions respecting the share warrants and to vest in the holders of such warrants the rights and interests specified herein.

Mr. DOREMUS. Would it bother you if I asked you a question right there?

Mr. COLVER. Certainly not.

Mr. DOREMUS. After this stock was increased to \$8,000,000, and after Armour had gotten his rake-off in the form of additional stock certificates, the balance of the increased capital stock was issued in the name of the treasurer of the company as trustee; is that correct?

Mr. COLVER. No; from start to finish the stock of that company took the form of these stock warrants, and the Armour stock and all the stock took the form of stock warrants, and all of it, the \$8,000,000, is in the hands of the treasurer, theoretically.

Mr. DOREMUS. It stands on the books of the company to the credit of the treasurer, as trustee, does it not?

Mr. COLVER. Yes; and there is no record in any book of any ownership by Armour or any other individual.

Mr. DOREMUS. Have you examined the treasurer of the company?

Mr. COLVER. Yes.

Mr. DOREMUS. Will he not tell you who the real owners are?

Mr. COLVER. He does not know.

Mr. DILLON. May I ask you a question at that point? Who got the money on those warrants? Do not the books disclose that?

Mr. SWEET. The dividends.

Mr. SANDERS. Let him explain how the dividends are collected, and then we will all know how they got the money.

Mr. COLVER. Yes; I am coming to that. First, how to get your dividends if you have one of these stock warrants.

Mr. MONTAGUE. Is there a distinction in that concern between a stock certificate and a stock warrant?

Mr. COLVER. All the difference in the world.

Mr. MONTAGUE. Has the stock warrant any voting power?

Mr. COLVER. I said I would now tell you how, under article 25, not the owner of this warrant, but the holder of this warrant may exercise the two rights of stockholders—to vote and receive dividends.

Mr. MONTAGUE. Do you have a voting trust?

Mr. COLVER. A voting device. I would not call it a trust. Let me come to that, please.

Mr. MONTAGUE. All right.

Mr. COLVER. I beg your pardon, but if I say no, when you ask about a voting trust, I do not know whether I have answered correctly, but I will tell you how they do it, and then you will see.

Mr. SANDERS. I would suggest that the gentleman tell us how they vote and then how they draw their dividends, and then we will all understand it without any questions. I understand they are payable to holder.

The CHAIRMAN. To bearer.

Mr. SANDERS. To holder or bearer; it is the same thing.

The CHAIRMAN. One thing which does not seem to me to be explained is whether or not the \$8,000,000 paid, or supposed to be paid, is in the treasury of the company as cash or otherwise?

Mr. COLVER. It was not even supposed to be paid in. One million dollars was paid in.

The CHAIRMAN. I know that, but I am referring to that \$7,000,000.

Mr. COLVER. The other \$7,000,000 was the plan that was put in the files, and that makes \$8,000,000, and then you have \$8,000,000 of stock and the treasurer has got that.

The CHAIRMAN. And the dividend applies to the \$1,000,000 cash paid in as well as the \$7,000,000 plan.

Mr. COLVER. Oh, yes; the \$7,000,000 is just as valuable for dividend purposes as the \$1,000,000 in cash.

Mr. MONTAGUE. The \$7,000,000 is water, is it not?

Mr. PARKER of New Jersey. Seven million dollars of it is water, he said.

Mr. COLVER. Yes.

Mr. SANDERS. He has already stated it was absolutely water and that there was no value behind it, and any stock issued with no value behind it is water.

Mr. COLVER. Only such value as there may be in a prospectus.

Mr. SANDERS. The whole \$8,000,000 of stock was issued to the treasurer, and then these warrants went out to the individuals.

Mr. COLVER. Exactly so. Now, then, following the device as explained in this article of the by-laws, No. 25, of this company, first we are going to develop two things: First, how they vote the stock, and then how they get the money, and both things are provided for in this section 25. I can tell it to you quicker than read all this verbiage, because it was drawn up by a very good lawyer.

Annexed to the stock warrant, then, is a sheet similar to the kind you will find on your good old Liberty bond of coupons, and section 25 provides that when you have used up your coupons you can send in and get a new sheet. The coupons on this original document here are numbered from No. 1 to No. 40. To collect the dividend you tear off this one [indicating] and then this one, and so on across the bottom row, beginning at the lower right-hand corner.

The dividend coupon reads as follows:

Dividend coupon No. 1.
Chicago Stock Yards Co.

For dividend No. 1, on ——— shares in the Chicago Stock Yards Co., represented by bearer, warrants payable at the office of the company on or after the date upon which the said dividend shall be payable.

F. R. PEGRAM, *Treasurer.*

You will notice it does not give the number of the bearer warrants.

Mr. Pegram is the man who had the \$7,000,000 plan.

Now, section 25 provides that the holder of this piece of paper cuts this coupon off and without indorsement and without anything to show what it is worth or what the dividend was, puts it through any bank for collection, and in due time the proceeds come back.

Now, at the other end of the line the treasurer of the company deposits in the bank in Boston the dividend on all the \$8,000,000 to the credit of their dividend account, and as the dividends come in from wherever they may come in—

The CHAIRMAN (interposing). As the dividend coupons come in.

Mr. COLVER. As these coupons come in from wherever they come in, the bank's check goes back to satisfy the coupon in the amount that the bank has been notified the dividend is per share. So that the company and the treasurer have not the slightest knowledge and no way of knowing who got the dividend, and the bank's check need not come back payable to anybody but bearer, or it can come back payable to anybody who happens to be able to inclose that coupon and ask that the dividend be sent to him. So I say that when you asked me what the ownership of the rest of this stock is, I said that that had Sphinx beaten as a riddle, because you can not tell.

Now, how do you vote it?

It is provided in this section 25 that if this bearer warrant is deposited in any bank or trust company in the United States, and the bank or trust company shall give a certificate that this paper is so deposited in their custody, then that certificate may be used as a proxy and voted at a stockholders' meeting, but the certificate does not need to say who deposited the warrant. Perhaps, legally, that bank is voting as a proxy. There is nothing to disclose who does vote.

If I owned this warrant, and this were a real one instead of a canceled one, I might take the train, go down to North Carolina, get off at the railroad station, call the first man I met on the street, ask him to take this over and deposit it in the bank and get a certificate that it was there, and under the section of the by-laws, here, he could do that, come back, hand me the bank's certificate, and I could take the train and come back here, mail the thing into Boston, and it would be voted, and it would be my proxy and be that stock voting. There would be nothing in the world to show who I was or anything about it.

That is a rather long diversion from the subject of stockyards, but it is interesting and curious. Sometimes it seems curious that such devious methods are necessary. Of course, it is interesting to Congress in view of the legislation which is coming forward now to think that there is not an income-tax law on earth that could reach that.

Mr. SWEET. This corporation was organized under the New Jersey laws?

Mr. COLVER. Maine.

Mr. STREET. Have you found any other organizations of this character in connection with the packers?

Mr. COLVER. No.

Mr. SWEET. Or stockyard companies?

Mr. COLVER. No; this is a novelty.

Mr. WINSLOW. The money due on those coupons is evidently paid to somebody.

Mr. COLVER. Yes.

Mr. WINSLOW. And the coupons are deposited somewhere by somebody for collection.

Mr. COLVER. Yes.

Mr. WINSLOW. Why can not you trace back to the depository bank that makes the collection and find out for whose account they collected?

Mr. COLVER. Because I could take that coupon and walk to the window of the paying teller of that bank and take cash. It requires no endorsement and requires no identification.

Mr. WINSLOW. While that may be so, the chances are they do not carry it that far.

Mr. COLVER. No; but, in fact, this is how far they do carry it, if you will pardon me, to send it to an agent in Boston who himself goes to the bank and gets the check or gets his cash which is not identified. As a matter of fact, under oath, the officers of that company do not know who gets the dividends, and there is not a scrap of record in their records which shows who their stockholders are.

Mr. WINSLOW. They may not want to know, but if you do want to know, do you not imagine you could trace some of those back to the source?

Mr. COLVER. There was never a more determined effort—and I think able effort—made to discover the stock holdings of a company than was made by the commission with respect to this company.

Mr. WINSLOW. And they are willing to go on record as having abandoned it because they could not put it through?

Mr. COLVER. No; we do not go on record as having abandoned it. We go on record as reporting progress. We have got some information.

Mr. PARKER of New Jersey. Did you try the State Street Trust Co.?

Mr. COLVER. Yes.

Mr. PARKER of New Jersey. Did you find out who the State Street Trust Co. paid? You said they paid these things; that they get the whole dividends, and then distribute them.

Mr. COLVER. In some cases the State Street Trust Co. sent bank check to other banks.

Mr. PARKER of New Jersey. I say, did you examine the State Street Trust Co. to find out where the money went to? They got the whole dividend and it disappeared, according to your statement. Did you examine their officers?

Mr. COLVER. Yes. But they do not know. I say the thing came in from other banks for credit to the other banks, and they say they paid it to a bank.

Mr. PARKER of New Jersey. To another bank?

Mr. COLVER. Yes.

Mr. PARKER of New Jersey. Any large amount paid a bank could be traced to the bank to whom paid. Money always leaves a trail behind it.

Mr. COLVER. I beg your pardon.

Mr. PARKER of New Jersey. They say money always leaves a trail behind it, so to speak.

Mr. COLVER. I know it does, but when you start the trail through a series of institutions in the country over which the Federal Trade Commission has no jurisdiction and no right to ask for their records, then the trail is lost; it is like walking into the river.

Mr. DEWALT. Do they not have to collect those coupons after the customer has presented and cashed the coupon by depositing a memorandum in connection with the coupon in the bank? Otherwise, how do they get around the taxes under the internal-revenue requirements?

Mr. COLVER. How do they get around it? I did not say they got around the internal-revenue tax on the corporation, but I said you could not write an income or personal tax law that would catch that dividend.

Mr. DEWALT. As I understand it, we have here a person depositing a coupon in a bank to be collected, and to that coupon we have to attach a slip which they make out and send along with it. There is no such thing as blind cashing of a coupon as you would "cash" a dollar bill or change it. You have got to show the source from which that collection is made, by whom it is made; how do they defeat that?

Mr. COLVER. Maybe Mr. Roper found them; we did not. They are not in the company's books and they are not in the company's record. We can not go into the bank's records.

Mr. SANDERS. Can you not go into the returns under the law on income taxes? Is it because they are not public property?

EARNINGS ON CHICAGO STOCK YARDS OPERATIONS.

The CHAIRMAN. Mr. Colver, right there: If you have finished that explanation—I do not want to break in on you—what do the books of the Stock Yards Co. show that they have received as fees, as commissions, or in whatever name they give their receipts? Do not their books show how much money they have received as a Stock Yards Co.? I mean from the ordinary functions of the Stock Yard Co. for the services it renders.

Mr. COLVER. You see, this Maine corporation was formed for the purpose of owning stock of the New Jersey corporation, and its receipts are the dividends on the stock that it owns of the New Jersey corporation.

The CHAIRMAN. I know; but the receipts of the Stock Yards Co. itself, where it actually receives the stock—physically receives—is there not some record to show what money that company receives in Chicago for the services they are performing?

Mr. COLVER. Oh, bless you, this Chicago Stock Yards Co. does not receive any money in Chicago and does not run the stockyards in Chicago. It hands the stock to a company which owns the stock of a company which operates the yards in Chicago.

The CHAIRMAN. The one that operates the yards pays its money over when it receives it from this other company?

Mr. COLVER. Yes.

The CHAIRMAN. That company actually operates the yards. Does it not show what it receives for that part of the operation?

Mr. COLVER. Oh, yes.

The CHAIRMAN. How much does that amount to? Does it amount to 5 per cent on this \$8,000,000?

Mr. COLVER. Oh, there is no question there. It is perfectly easy to find out from the books what these dividends were. But all I said was that you can not find out who got them.

The CHAIRMAN. If it goes to surplus and is not distributed in the way of dividends, does it show the fact of its distribution in the business, its financial status?

Mr. COLVER. I think perhaps we have something about the financial condition of that company.

The CHAIRMAN. They make 40 per cent and only pay out 5 per cent in dividends. What I wanted to get was to see whether the 5 per cent on this \$8,000,000 only covers pay for services actually performed for which they received actual money.

Mr. COLVER. The 5 per cent represents 40 per cent on the \$1,000,000 that actually was paid in, if that answers your question?

The CHAIRMAN. The 5 per cent on \$8,000,000?

Mr. COLVER. Yes; that is 40 per cent on the \$1,000,000 that was put in—if that answers your question?

The CHAIRMAN. That is all right. I will not ask you any further. Go ahead. What I am trying to find out is whether the operating company at Chicago received more money than it transferred to these other companies if figured out in dividends.

Mr. COLVER. Oh, I see. The operating company in Chicago does receive more money and accumulates surplus, and it passes the money on to the overlying or holding companies in the form of regular dividends and extra dividends from time to time.

The CHAIRMAN. Do they not know then what the patrons of that company, whose stocks are handled through it, actually pay out? They have to have a record of the financial transaction of that particular company. Have you got that?

Mr. COLVER. Oh, yes. The financial transactions of the operating company in Chicago? Yes, we can give you that.

The CHAIRMAN. You will please put it in as a part of your hearings.

(The statement referred to was subsequently furnished by Mr. Colver and is here printed in full as follows:)

THE CHICAGO STOCK YARDS.

The conduct of the Chicago Stock Yards is involved in the operations of five corporations. The affairs of these corporations, their finances and receipts, disbursements, are intermingled to such a degree that the commission's representatives worked three months to straighten them out.

The result of this work, as briefly stated as is possible, makes a volume of report. For the purpose of a response to the committee's request, the following statement is inserted in the record of the hearings at this time.

This statement is not a reply to the question as it refers to the scale of charges paid by producers of live stock, nor profits made in the operation of the stock yards. However, since the revenues of the three operating companies and the two holding companies are derived solely from charges laid upon the live stock, directly and indirectly, the relation of charge to service performed, is indicated.

The five companies are—

- (1) The Union Stock Yards & Transit Co. of Illinois.
- (2) The Chicago Junction Railways & Union Stock Yards Co. of New Jersey.
- (3) The Chicago Junction Railway Co. of Illinois.
- (4) The Chicago Junction Railroad Co. of Illinois.
- (5) The Chicago Stock Yards Co. of Maine.

Investigation of these companies has developed that—

1. The Union Stock Yards & Transit Co. of Illinois was incorporated in 1865. This corporation is actually an operating company engaged in furnishing facilities for the marketing of live stock at the Great Central Market in Chicago. The entire stock of this company is owned by the Chicago Junction Railways and Union Stock Yards Co. of New Jersey.
2. The Chicago Junction Railways & Union Stock Yards Co. of New Jersey was incorporated in 1890. It was formed as an investment company for the purpose of acquiring the stock of the Union Stock Yards & Transit Co. of Illinois. It finally succeeded in acquiring full ownership of this stock in 1913.

This company owns, in addition to the above stock, all of the stock of the Chicago Junction Railway Co. of Illinois and of the Chicago Junction Railroad Co.

3. The Railways Co. was formed in 1898 for the purpose of acting as an operating company to furnish transportation and switching facilities to the shippers sending live stock or other products to the packers located in and around the Union Stock Yards.
4. The Railroad Co. is the name given to the elevated railway line which operates within the stockyards for the transportation of passengers.
5. The Chicago Stock Yards Co. of Maine was incorporated in September, 1911. It is also an investment company. This company owns 31,100 shares of the common stock of the Chicago Junction Railways & Union Stock Yards Co. of New Jersey. The stock thus acquired by the Maine company represents less than 50 per cent of the outstanding common stock of the New Jersey company, of which there is 65,000 shares.

It will be seen, therefore, that there has been created a superstructure on top of the companies which operate the yards and railways in Chicago, consisting of—

- (1) A holding company organized under the laws of New Jersey in 1890.
- (2) A second company organized under the laws of Maine in 1911, which surmounts all of these companies, though actually owning less than 50 per cent of the common stock of the New Jersey company.

It should be noted that this is a peculiar situation in that the Maine company is neither an operating company nor is it actually a holding company in the full sense in which that term is usually understood, since it does not actually own even a majority interest in the New Jersey company. It would hardly be expected, therefore, that the control of the New Jersey company (and through it of the underlying operating companies) would rest in the Maine company, yet such is the fact.

The public hearings and the examinations of the commission disclosed that the Maine company had been organized in 1911 by F. H. Prince, of Boston. Mr. Prince associated with himself Mr. J. O. Armour, of Chicago, Ill. Mr. Prince had in 1910 begun to acquire stock of the New Jersey company and had secured 13,000 shares for the joint account of Mr. Armour and himself. Mr. Prince owned, in addition, about 20,000 shares, the 13,000 shares having been acquired under the terms of a syndicate agreement at a price not to exceed \$160 a share. He had also submitted a proposition to the common stockholders of the New Jersey company whereby the latter were to be guaranteed 9 per cent dividends on their stock, provided they would surrender their rights to any additional earnings, also to the surplus earnings of the New Jersey company and of the underlying companies.

Mr. Prince's plan proposed the formation of a new company, which was to have a paid-in capital of \$1,000,000 in cash, which was to serve as a guarantee

fund to insure the payment of the 9 per cent dividends, the regular dividend paid heretofore by the New Jersey company having been 8 per cent. As an alternative to accepting this 9 per cent guarantee on their stock, the common-stock holders were offered 5 per cent bonds of the Maine company at the ratio of \$200 in bonds for \$100 par value in stock. The bonds of the Maine company would, therefore, net each former holder of one share of stock 10 per cent in interest instead of 8 per cent dividends.

The Maine company has acquired 31,100 shares of the New Jersey company stock through exchange of \$6,220,000 of its bonds for this stock. The bonds are secured only by the stock thus acquired and the interest on these bonds plus the 9 per cent guaranteed dividends on the 33,897 shares of stock which accepted the guarantee provision is paid out of funds which the underlying companies provide. The Maine company has no other source of income other than the interest which it receives from the \$1,000,000 cash fund and which interest does not amount to enough to pay the salaries and expenses of the Maine company.

The underlying companies are required to furnish funds not only for the bonds and the guaranteed dividends, but since 1914 they have contributed additional funds to pay a regular dividend of 5 per cent on \$8,000,000 of stock issued by the Maine company, and one year an extra dividend of 3 per cent was paid by the Maine company on its stock.

(A further statement of stockyards earnings was subsequently furnished by Mr. Colver and is inserted in the record.)

Mr. COLVER. This is a long diversion. We were trying to tell you who owns the stock of that company, and I think eventually we will find out.

TRACING OWNERSHIP OF CHICAGO STOCKYARDS.

This stock which we have just been talking about—the stock that the \$1,552,000 worth of stock, which represents the \$194,000 which Mr. Armour put in—we are tracing that transaction—and upon which his annual dividends are \$77,600 a year on the \$194,000 has laterally been transferred—not the stock, mind you; not the warrant, but some ink on the books as set up an investment, a statement of an investment of this amount of money in this Maine corporation; and it is now carried on the books of the Armour Co. as an asset of the Armour Co. under the title of “J. O. Armour No. 4 account.”

So that finally he gets that much of it back to the Armour Co. It is a long and interesting story how that was finally gotten back there; but it was gotten back.

During the days that this particular tracing was being done was the time when the greatest uproar, the greatest complaint, was made that the commission would not let other witnesses be called and that the commission would not allow counsel to come in and examine witnesses. When we were very close to this discovery, during that time when we were trying to find out who this company was and what this company was, the commission carried on a telegraphic correspondence with the president of this company—that is, the commission thought it did—at an address in New York. We telegraphed to the Boston office of this company—to the president—and we got an answer from New York signed by his name, and we carried on a telegraphic correspondence with him; and then when we followed him down here some months later and put him under oath and asked him where he was during those days, he said he was in Portland, Me.

Mr. STEVENS. Had he not really signed those telegrams?

Mr. COLVER. No. He was not in New York; he did not know anything about it; he does not know anything about this company.

Mr. SANDERS. Who was this president?

Mr. DEWALT. Do you know him?

Mr. COLVER. No. He is a clerk in the corporation—one of these concerns which have the necessary main office of a corporation which attends to business in another State—a corporation trust company or something like that; he is a clerk in that office.

Mr. MURDOCK. I would like to say to the committee that there was just one human side light for the purpose of this record. Mr. Pegram is an upstanding New Englander, a clerk, receiving \$1,600 a year, and has received that for many years. He is the treasurer of this company. I remember that there passed through his hands millions and millions of dollars yearly, which he might have diverted, and I think, without saying that he never did divert a single cent, that he still draws his \$1,600 a year.

The CHAIRMAN. Was the treasurer of the company selected up in Maine on account of physical nearness to Chicago?

Mr. COLVER. That was the president. [To Mr. Murdock:] The secretary is a Boston man, is he not?

Mr. MURDOCK. I have forgotten.

Mr. DEWALT. Mr. Chairman, the statutes of the State of Maine require the office to be there to make the corporation legal.

The CHAIRMAN. But this is a corporation formed in Chicago.

Mr. HAMILTON. Mr. Murdock, I do not suppose any credit attaches to a man for not taking something which does not belong to him?

Mr. MURDOCK. I did not mean that. He was a faithful clerk who did what he was told to do, and there passed through his hands in this unusual manner millions and millions of dollars.

Mr. HAMILTON. Your point is that he ought to have gotten a better salary?

Mr. MURDOCK. I should say that for all that service he should have gotten more than \$1,600 a year.

Mr. COLVER. This Mr. Pegram is the man whom the records show, the sworn returns show, was the man who turned in the \$7,000,000 plan and got the \$7,000,000 stock. We asked him if he "got it," and he said, "No; that is, not really got it."

Mr. MURDOCK. I think you ought to say for Mr. Pegram that he received the plan from some one else and turned in the plan which was not his, and received \$7,000,000 for it, the \$7,000,000 not being his.

The CHAIRMAN. He was the personal conduit through which the transaction was performed.

Mr. COLVER. Of course, Commissioner Murdock, when you say he received \$7,000,000, you say it in a Pickwickian sense.

Mr. STEPHENS. Mr. Colver, have you any suspicion who owns that \$7,000,000 stock?

Mr. COLVER. Who owns it?

Mr. STEPHENS. Yes, sir.

Mr. COLVER. Well, we just showed you the increase of Mr. Armour's \$194,000 to \$1,552,000. You see that is 8 for 1. All those who participated or who owned the first million got pro rata the \$7,000,000 of unearned increment, anyway.

Mr. STEPHENS. That would be the natural deduction.

Mr. COLVER. The Armour transaction was traced, and it does figure out; and that is the natural thing, and it is the only thing that could have happened.

Mr. SANDERS. Have you examined the people concerning whom you have suspicions and asked them if they have the stock, under oath?

Mr. COLVER. Yes; but I am sure you will relieve us from stating suspicions to the committee.

Mr. SANDERS. I say, have you summoned the parties whom you are suspicious of owning this stock—put them on oath and asked them if they own it? That would be one way of getting at their interests.

Mr. COLVER. I can not say that we have put all those whom we suspect of possible ownership under oath.

Mr. SANDERS. Have you put the other packers under oath—say, Swift & Co., Cudahy, and Wilson? If you suspicion them owning the stock, why have they not been summoned, sworn, and asked either to admit or deny it?

Mr. COLVER. Because this does not seem to be so important a matter—the ownership or the percentage of ownership, or whether or not there is ownership in those Chicago yards does not seem to be an essential thing, in view of the fact that common ownership has been shown, before you came in, in 32 other cases.

Mr. SANDERS. I understand that but then you do not want to state your suspicions, you say. If I was suspicious that you owned some stock and I wanted to find out as to the fact, if I had the power to summon you and swear you to tell the truth or lie about it, that is one way I would get at it.

The CHAIRMAN. Mr. Colver, there is no evidence in this record, so far as you went, that would indicate that any of the other packers owned stock in this company except Armour?

Mr. COLVER. There was not any evidence in the record that he did.

The CHAIRMAN. There is nothing in the record to base suspicions on except the facts as you have stated them?

Mr. COLVER. We did not go into this any further, because, having gone through this company and found out its relation to the Chicago Stockyards and having determined what it finally amounted to as an earning thing, and having gone to the next underlying company and got that—its financial transactions—we did not stop, in the hurry to get over more important things, to run down individual ownerships and put people under oath to cross-examine them, and all that sort of thing, because what we were after was not whether this, that, or the other man did or did not own stock in this, that, or the other company and made a lot of money or a little money—that did not seem to be the interesting thing.

The thing which seemed to be interesting was that we would be able to chart to you, if you wanted to hear it, the interrelations and entanglements and alliances and what they earned, knowing that everything that they owned must come in the last analysis from one of two sources—must either come from the farmers and producers of the stock who used these yards or from the consumers of the meat and other products of the live animals which passed through these yards, and that is all we were interested in.

The broker who was buying this stock up of the old, the original Chicago Stockyards Co. wrote to a stockholder and said—and he was buying the stock which later turned up in the collection of stock which we traced down through those transactions, so that at least he was acting for Armour, apparently—and this broker said, "This Maine corporation which is to guarantee the stock will be controlled

by the packers"—plural. And we find "packers and packers" mentioned through this correspondence.

Mr. SANDERS. Is it not a reasonable assumption, then, that they owned the warrants?

Mr. COLVER. Yes. But up to now we have not brought assumptions to this committee, and we have not brought suspicions here.

Mr. SANDERS. That is what I am getting at.

Mr. COLVER. And we have not even brought conclusions.

Mr. SANDERS. If you wanted to find out who owned the warrants, why did you not summon the men as to whom the suspicions pointed and question them under oath as to whether they owned them? You stated you made every effort to find the ownership of these warrants as the most direct method of finding the ownership of this stock.

Mr. COLVER. Assuming that we had wanted or had felt that we had the time and that it was essential and necessary to run down further this stock-warrant ownership, of course, we might have followed your suggestion.

With respect to all these joint schedules, we sent for their stock ownership of all sorts, covering such items as this. Those schedules so sent out by the Federal Trade Commission are in and of themselves equivalent to sworn statements. So that is about the same as putting them under oath. Mr. Armour's statement when returned did not have these warrants on it. The other returns likewise did not have any accounting on these warrants at all on them.

We might have gone further, but, as I say, it did not seem to be the thing we were after. We were trying to show you what the operation of these yards are, what the earnings of the yards are, what the interrelation of the yards are, too, and how the ownership of the yards has been and can be used, not so much the individual ownership at that time. The commission had no brief against any man; the commission had no brief against any company; it was not trying to prove anything.

So much for this three-story company.

JERSEY CITY STOCK YARDS CO. AND THE RAILROADS.

The outstanding stock of the Jersey City Stockyards Co. is \$500,000. These yards are leased from the Pennsylvania Railroad and are controlled by J. Ogden Armour holding 63.38 per cent and Swift & Co. owning 18 per cent. The company started operations in February, 1913, and did business for six months before any capital stock was paid in; that is, any money was paid in. At that time the earnings had amounted to enough to pay a dividend of \$42,000. Then \$58,000 additional was paid in for stock, and so far as can be found this is the only amount that was ever paid into that company. Of the 5,000 shares issued at the par value of \$100 the share, making a total issue of \$500,000, only \$100,000 was issued for cash, and of that \$100,000, \$42,000 may be fairly considered as a stock dividend, inasmuch as the \$42,000 was earned before anything was paid in, and so that a stockholder without paying anything in would become a pro rata owner of the \$42,000 in cash—that seems to be clear—the balance, \$400,000, represents no investment whatever.

Now, we are only following the statement "that in order to develop these yards and make them efficient it has been necessary at

great expense and great sacrifice for the packers to take them over"—that is the statement that I read to you in the beginning, and that is what we are examining and keeping in mind.

Of the \$296,900 of capital stock owned by the Armour interests in the Jersey City Stockyards Co., the initial cash investment was \$59,380. But before this amount was paid in, the dividend of \$24,780 was paid to the Armour Co. or the Armour interests. The net earnings of the plant from February 12, 1913, to December 31, 1916—when our investigation ended with respect to this company—four years, was \$594,764.14.

During these years dividends amounting to \$342,000 were paid to the stockholders. Of this amount the Armour interests received \$203,148, and that was \$143,768 more than the total investment—and that was in four years—

The CHAIRMAN. Are you through with that particular yard—that is, have you finished your statement about that particular yard?

Mr. COLVER. That particular yard?

The CHAIRMAN. Yes. If so, I want to ask you a question.

Mr. COLVER. I have finished with that.

The CHAIRMAN. You say that this stockyards company leased these stockyards from the Pennsylvania Railroad Co.?

Mr. COLVER. Yes.

The CHAIRMAN. When were they leased?

Mr. COLVER. February, 1913.

The CHAIRMAN. Do you know what the Pennsylvania Railroad Co. received as a rental for those yards?

Mr. COLVER. Yes.

The CHAIRMAN. I want to know what it is?

Mr. COLVER. That is an interesting thing. I think an indictment has come out of that transaction.

The CHAIRMAN. I did not know anything about that. I want to know what the company gets for leasing its own facilities out that way to a private corporation.

Mr. COLVER. The rental paid to the Pennsylvania Railroad under this lease is \$25,000 a year.

The CHAIRMAN. Do you know how long the railroad company has owned yards before, and whether the railroad company built the yards themselves?

Mr. COLVER. They were railroad-owned yards, yes.

The CHAIRMAN. What is the reason given, if you know, why the Pennsylvania Railroad Co. leased the yards instead of continuing to operate them—the railroad is itself a public utility?

Mr. COLVER. Something like the case of the Katy yards down in Hodge, Tex.

The CHAIRMAN. Well, we want the truth, the facts. This is absolutely pertinent to this examination.

Mr. COLVER. Well, the Armour people approached Mr. McCabe, the third vice president of the Pennsylvania Railroad Co., by addressing a letter to him at Pittsburgh, the letter being written by Mr. Allerton, of the Armour stockyards interests, from Pasadena, Cal., and that letter bears on the progress made in securing the interest of Armour & Co. in the Jersey City yards.

The CHAIRMAN. What is the date of that letter?

Mr. COLVER. That is January 13, 1913. I have not the full letter with me, but I have an abstract and I can bring the entire letter. We have it if you want it.

The CHAIRMAN. You can put the entire letter in your hearing.
(The letter referred to was subsequently furnished by Mr. Colver and is here printed in full, as follows:)

SOUTH PASADENA, CAL., January 13, 1912.

Mr. D. T. McCABE,

Third Vice President Pa. Co., Pittsburgh, Pa.

MY DEAR McCABE: I have just received a statement from Mr. Oliver showing that we were three thousand cars short on the Pa. & Fort Wayne R. R. and about fifteen hundred cars on the P. C. & St. L. R. R. out of Chicago. We have made a big increase in our local business, but we are short out of Chicago 4,500 cars. The through cattle that are shipped out of Chicago are shipped mostly by S. & S. United Dressed Beef Co. and the New York Butchers' Association, and Ed. Marse, who bought out Stearns, who used to ship with us about 4,000 cars per year. The New York Central tried to get him away from us, but they could not do so, until they got Marse to buy him out.

No man can ship cattle from Chicago to New York unless he has an abattoir.

We have to ship a few cattle in February to our butchers. We always expect to lose about \$20 per car.

Now, the real question is how are we going to make up this shortage. There is but one way to do it, and that is to get Armour in Jersey City, and then we will get the New York Butchers' Association's cattle which will put us in good shape and I feel sure then we will maintain our percentage for years to come.

I think next spring I can get Armour to take hold of Jersey City; our people want him, but the trouble is that it will cost one and one-half million dollars to build an abattoir at Jersey City, and our people do not like to advance the money, and Armour does not like to put the money out on leased ground, but I think I could make an arrangement with Armour to lease the ground for the abattoir, and he build the abattoir, and the Pa. Railroad would take it off his hands at the end of the lease with two per cent depreciation, and I think our people would have to lend him about one-half of the money to build it.

Legally, he could not lease the grounds, but I could arrange with him to lease the ground and sell him most of the stock.

The lease of Jersey City runs out one year from next February, and it would probably take one year to build the abattoir.

Now, I think that when you are in Philadelphia you ought to take this matter up with Mr. Thayer, because this is the only way we can increase our shipments out of Chicago.

I hope you and your family are all well. I never was better in my life than I am this winter.

Yours, truly,

S. W. ALLERTON.

The CHAIRMAN. Was that a railroad official writing to a packer?

Mr. COLVER. That is an Armour official writing to the third vice president of the Pennsylvania Railroad Co.

The CHAIRMAN. All right; let us have it.

Mr. COLVER. I am corrected—Mr. Allerton is not an Armour official. He is interested with the Armour interests in similar ventures, and when Allerton came into this thing at the finish Armour came with him and the Swift people came with him. But he is not an officer of the Armour Co.

The CHAIRMAN. Well, he wrote on behalf of the packers to the official of the railroad company; that is all that is important?

Mr. COLVER. Oh, yes; because he speaks of the progress in securing the interests of the Armour Co.

The CHAIRMAN. Read what your notes show he said.

Mr. COLVER. I will. He said that the proposal of Morris & Co.—the other packers—to lease these yards should not be considered;

that their possible intentions would not be to the benefit of the Pennsylvania Railroad, and that if Armour & Co. came in it would be very probable that they could secure the interests of Swift & Co. also.

On April 28, 1913, a letter was written to Mr. Dixon, of the Pennsylvania Railroad, by Arthur Meeker, vice president of Armour & Co. He says that Swift & Co. have decided not to enter the deal.

The CHAIRMAN. That is in the purchase of the yards?

Mr. COLVER. In the leasing of the yards, "and that they must have made some very favorable arrangement with the Lehigh Valley, just the nature of it I do not know. We offered them a 30 per cent interest in the yard."

That is, the Jersey City yards.

"Which is practically what we would have had had they accepted it, and that seemed to be satisfactory to them."

Not to stop very long, you see there is a curious expression, that one of these companies must have made a very favorable arrangement with another railroad, with the Lehigh Valley. Those favorable arrangements must have been more favorable with the Lehigh than getting control or getting a large stock interest in a company which was going to lease the Jersey City yards at a very low rental, and those yards had and continued to yield very, very comfortable dividends on the money paid into the company which acquired control of them. As Mr. Murdock said the other day, there are rebates and rebates.

The CHAIRMAN. Have you any evidence of what the yards earned for the Pennsylvania Railroad Co. before it turned them over? I want to see what it received in earnings before it leased them.

Mr. COLVER. I think we have what we call a five-year schedule, and if we have that would carry us back to 1911, 1912, and 1913 earnings, and this transfer took place in 1913.

The CHAIRMAN. If you have anything in your possession that will show what the Pennsylvania Railroad received in the way of earnings from the stockyards before leasing them to the packing company, I would be very glad if you will put it in your hearings with your comments.

Mr. COLVER. May I say, then, in correcting this record, that "this is inserted at this place"?

The CHAIRMAN. Certainly.

(The data referred to was subsequently furnished by Mr. Colver and is here printed in full, as follows:

ADDITIONAL DATA ON JERSEY CITY STOCKYARDS.

The Jersey City Stockyards was first organized February 27, 1873, and a lease was secured for the property and yards from the Pennsylvania Railroad Co. for a period of 30 years. Samuel W. Allerton and George W. Gregory were the original lessees. On February 12, 1903, the lease was renewed for a period of 10 years, and at that time was signed by J. S. McFadyen, president, and attested by J. L. Bonham, secretary.

Before the expiration of this second lease Mr. Allerton was apparently dissatisfied with the amount of business being done by the yards and conceived the scheme of inducing Armour & Co. and, if possible, Swift & Co., to become affiliated with the yards in order to increase the business of the company by the amount of stock that could be shipped through to the East by these two packers.

Morris & Co., owning the yards at Sixtieth Street, had a practical monopoly at this time in the stockyards on Manhattan Island. At the same time Mr.

Allerton was negotiating with Armour & Co. to secure their business for the yards and to induce them to secure the lease from the Pennsylvania Co., A. W. McLaren, of Morris & Co., was negotiating with the railroad company to secure the yards at Jersey City. The rental at this time was \$25,000 per year and this was the figure that was held out to Armour & Co. McLaren offered the Pennsylvania \$50,000 a year, but his offer was not favorably considered in view of the fact that the Pennsylvania felt Morris & Co. would tie up the Jersey City yards and force the shipment of all live stock over the New York Central to the Sixtieth Street yard.

On September 27, 1912, Mr. McLaren wrote a letter to the Pennsylvania Railroad Co., in which he set forth the offer stated above. On October 2, 1912, George D. Dixon, vice president, of the Pennsylvania, replied to the effect that negotiations with another party were in progress and he would notify Mr. McLaren at a later date what disposition would be made of the lease. On September 27, 1912, the same date as his first letter, Mr. McLaren wrote a lengthy explanation to the Pennsylvania Railroad Co. setting forth his reasons why it would be advisable for them to lease the yards to Morris & Co. An excerpt from this letter is as follows:

"The traffic which you are now enjoying from other interests making application for these yards can not be very much increased. They already control, to a large degree, your icing facilities which are very valuable and through which you are strongly allied, and the tonnage you are now enjoying can reasonably be considered as a maximum. Therefore, the forming of an alliance with our interest should be the means of bringing to your line a great additional tonnage and these facts, we feel, should appeal to you as the traffic director of the Pennsylvania Lines as to why it should be inadvisable to make an arrangement at Jersey City which does not contemplate our interest being included therein. I would like to talk to you further in the matter and trust that nothing will be done toward closing up this proposition without including us therein, or affording us an opportunity to further discuss the subject with you."

On January 13 Mr. Allerton wrote from South Pasadena, Cal., to McCabe, third vice president of the Pennsylvania Co., Pittsburgh, Pa., about progress in securing the interest of Armour & Co. He said that the proposal of Morris & Co. should not be considered; that their possible intentions would not be to the benefit of the Pennsylvania Railroad Co.; and that if Armour & Co. came in it would be very probable they would be able to secure the interest of Swift & Co.

On April 28, 1913, a letter was written to Mr. Dixon, of the Pennsylvania Railroad, by Arthur Meeker, of Armour & Co. He states that Swift & Co. have decided not to enter the deal and that they must have made some "very favorable arrangements with the Lehigh Valley: just the nature of it I do not know. We offered them a 30 per cent interest in the yards, which is practically what we would have had had they accepted it, and that seemed to be satisfactory to them."

Later, on July 31, 1913, Mr. Meeker again wrote a letter to Mr. Dixon, of the Pennsylvania, in which he said that he had finally secured the interest of Swift & Co., and they had consented to ship all cattle to be killed at their plant at First Avenue and Forty-fourth Street, over the Pennsylvania Railroad.

"There is no possibility of getting their United Dressed Beef Co. cattle, that they have some kind of a deal with the Lehigh, particulars of which I could not get, which is more favorable than anything we could offer them. We have made this arrangement at considerable sacrifice to ourselves in order to bring more freight to your road."

A few days later, on August 4, 1913, Mr. Allerton wrote to Dixon, in which he boasts of their success in securing the interest of Swift & Co. He said that if the Pennsylvania Railroad Co. would know the means used, by which it is assumed he meant "consideration" offered, they would think him "foolish." He said, however, that it was so much to their interest to get Swift & Co. in on the deal that the transaction would justify itself in the future.

In the foregoing, therefore, it appears that Armour & Co. originally took over the Jersey City stockyards by lease from the Pennsylvania, and the agreement was settled and determined some time in 1912; that the present company was incorporated for \$500,000 and began business on February 12,

1913; that in the fall of 1913 Swift & Co. was taken in, and their interest therefore dates from about the beginning of 1914.

The consideration in the lease arrangement from the Pennsylvania Co. was to require Armour & Co. to spend almost \$200,000 in the erection of a rendering plant and other facilities needed in the yards. The Pennsylvania Railroad, on the other hand, was to put the yards in first-class shape by constructing new trackage, erecting platforms, stock pens, etc., at an estimated cost of some \$300,000. Armour & Co., however, did not fully meet the requirements of their part of the agreement, for they purchased, just at the edge of the yards, a rendering plant, and other facilities of a similar nature, that was already in operation.

The lease was dated February 12, 1913, and was to extend for a period of 10 years, subject to renewal for 10 years more.

The first 30-year lease called for a rental of only \$20 a year. The second lease, entered into in 1903, called for a rental price of \$25,000 a year. The lease with Armour & Co. called for a base rental of \$25,000 plus a 6 per cent rate on the improvements made by the railroad company, which would average approximately \$38,200 per year.

The principal shippers to the yards are Armour & Co., Swift & Co., Brainard Bros., and G. B. Wilson Co. The stockholders themselves, of which a list is attached, shipped about 50 per cent of the total.

It appears that when Armour & Co. took over the operation of the yards they advanced a small sum of a few thousand dollars for the purpose of buying office fixtures and making some slight improvements necessary for undertaking immediate operation. Notes were made out by parties not in any way connected with Armour & Co. in order that Armour & Co.'s name might not appear.

It was decided that the initial issue of stock of the Jersey City Stockyards Co. should be for \$100,000. The company, however, did business for a period of over six months before any stock was paid in. At that time earnings amounted to enough to pay the loan from Armour & Co. and also to pay a dividend of \$42,000, so that a dividend was paid on the earnings of the company before any stock at all was paid in. About this time, \$58,000 was paid in for stock, and so far as known from the evidence submitted, this is the only amount ever paid into the company. Of the 5,000 shares issued at the par value of \$100 per share, making a total stock issue of \$500,000, only \$100,000 was issued for cash, of which \$42,000 might well be considered a stock dividend. The balance of \$400,000 of the capital stock represents simply "watered stock."

The dividends for the four years, from 1913 to 1916, were as follows: \$42,000 for 1913, and for the next three years \$100,000 each. The rate of the dividends, therefore, it will be seen amounts to approximately 200 per cent on the actual investment and 20 per cent on the authorized capital stock.

It is easily seen that this deal is somewhat similar to packer practices at other stockyard centers. On a slight capital investment they were given control of the Jersey City Stockyards Co. with an actual valuation of about \$2,500,000, the earnings of which amount to a direct rebate of 200 per cent of the actual money invested. It may be probable that additional concessions in the shipment and handling of their own stock is granted them by the Pennsylvania Railroad. No facts pointing to this, however, appear in the record. The suggestions, however, that Swift & Co. receive such favorable treatment from the Lehigh Valley as to make them unwilling to change their shipments to the Pennsylvania are indicative of the fact that it is more or less a general practice for the railroad to hold out tempting inducements which amount to rebates on their stock shipments.

Another peculiar situation is apparent from the testimony offered concerning the connection between the Jersey City Stockyards Co. and the Western Stockyards Co., at Fortieth Street. Mr. Bonham, president of the Jersey City yards, is half owner of the Western yards. These yards are used only for hog killing. On hogs, therefore, coming into Jersey City for slaughtering in the Western stockyards a lighterage and unloading charge is levied, which the evidence showed was collected by the Western Stockyards Co., and no division accrued to the Jersey City Co. This amounted on an average from \$16,000 to \$20,000 a year, and was apparently divided among the stockholders on the basis of their stock ownership. The Jersey City Co. claimed not to know anything about it. The transaction, however, is a peculiar one in view of the fact that Bonham was the recipient from this amount alone of from \$8,000 to \$10,000 a year. Whether he held this for his own benefit could not be learned.

Organization and operation of the Jersey City Stockyards Co.—The officers and directors are R. C. Bonham, president; Leo S. Harvey, secretary; and Herbert L. Hersey, treasurer.

The stockholders are:

	Shares.
R. C. Bonham, Ridgewood, N. J.-----	200
R. C. Bonham, trustee, Ridgewood, N. J.-----	2,969
Kate A. Johnstone, Chicago, Ill.-----	500
H. A. Chetham, Chicago, Ill.-----	900
Ira F. Brainard, Pittsburgh, Pa.-----	325
Thomas A. Hughes, Jersey City, N. J.-----	100
Leo S. Harvey, Jersey City, N. J.-----	3
L. H. Hersey, Jersey City, N. J.-----	3
Total-----	5,000

Extent of Armour and Swift control.—Two thousand nine hundred and sixty-nine shares are held in trust for J. Ogden Armour by R. C. Bonham, and 200 shares are held by R. C. Bonham, the voting power of which may be considered as controlled by Armour & Co. The 500 shares held by Kate Allerton Johnstone may be assumed to combine with the Armour interests, because of close association between Armour & Co. and the Allertons. These 3,669 shares are 73.38 per cent of the total stock.

Nine hundred shares are held by H. A. Chetham for the benefit of Swift & Co., which gives it an 18 per cent interest in the company.

The combined interest, therefore, of Armour & Co. and Swift & Co. amounts to 91.38 per cent.

Three hundred and twenty-five shares are held by Ira F. Brainard, half for his own interest and half for his brother, Frank, who is in some way connected with the Western Stockyards Co. of New York City.

Apparently the only interest held by the Jersey City Stockyards Co. in any other company is a personal investment of R. C. Bonham, who holds stock in the Western Stockyards Co. of New York City.

Mr. COLVER. The Pennsylvania Railroad did not operate the yards before. Mr. Allerton operated the yards and his lease was about to expire. He wanted to renew his lease with the Pennsylvania Railroad Co. The consideration was talked of as \$25,000 a year. Another concern offered \$50,000 a year. Allerton then, writing from Pasadena, said that he was interesting the Armour people in coming in with him, and the Armour people in turn said that they had tried or had offered the Swift people to come in, too.

Without stopping to go through these successive stages of this correspondence, what finally happened was that Swift & Co. and Armour did go with Allerton, and the lease was renewed at this price.

The CHAIRMAN. \$25,000?

Mr. COLVER. \$25,000.

The CHAIRMAN. Who offered him \$50,000?

Mr. COLVER. That was Morris & Co.

The CHAIRMAN. Another packer?

Mr. COLVER. Yes.

The CHAIRMAN. And the Pennsylvania Railroad turned down a \$50,000 offer per annum for rental and accepted \$25,000?

Mr. COLVER. Yes.

Mr. ESCH. Does that show any competition between packers?

Mr. COLVER. I want to answer that. Does that show any competition between these five packers?

Mr. ESCH. Yes.

The CHAIRMAN. Competing for the yards?

Mr. COLVER. I do not think so. What we said to you from the beginning, and say to you now, is that the competition, the control of

this business, and where the competition disappears, is by the division, the constant division of the purchase of live animals, and that that demarks the relative size of the operations of the five companies.

Now, of course, there is competition of this sort: If in the various steps Morris can have more cattle pass through his yards and pay toll to him than Armour can have pass through his yards and pay toll to him, that is competition in profit. But it does not disturb at all the divisions of the purchases, and that is the competition we are talking about. I do not know whether that is clear, but the competition we are talking about is that which limits the purchase of live stock from the producers.

The CHAIRMAN. You mean the absence of competition in the purchase?

Mr. COLVER. Yes.

The CHAIRMAN. You spoke of "competition" when you meant the reverse.

Mr. COLVER. I suppose that is because I have adopted Mr. Esch's question, and I am talking from it. It is a mistake; I should say "absence."

Mr. COOPER. May I ask what the Pennsylvania Railroad built these yards for, in the first place?

Mr. COLVER. What they built them for?

Mr. COOPER. Yes. You say they leased them to the packers. What object had the Pennsylvania Railroad in building these yards, in the first place?

Mr. COLVER. They built them to handle the live animals which passed over their road as freight; built them in the nature of a freight house, I should say.

The CHAIRMAN. Just like a depot or any other terminal facility.

Mr. COOPER. As a terminal facility for the switching of cars?

Mr. COLVER. Certainly; and they cared for the feeding, watering, and marketing of the live stock.

Mr. COOPER. Was it the purpose to take care of Armour, Swift, or some special packing concern when they built those yards?

Mr. COLVER. I do not know. I have always thought that those things were built to take care of the people who shipped the stuff in; that is, the producers, the owners of the stuff.

Mr. COOPER. The point I am trying to make, by leasing this yard—

Mr. COLVER. To Armour, Swift, and Allerton?

Mr. COOPER. Did that interfere at all with the public, as far as transportation facilities were concerned?

Mr. COLVER. Yes.

Mr. COOPER. That is what I would like to know, if you have that information. Would that take away from the public some of the facilities that this transportation company really ought to have given to the public?

Mr. COLVER. Yes.

The CHAIRMAN. What had Allerton been paying—if you can answer there without stopping—before this renewal?

Mr. COLVER. The same rental—I think \$25,000.

To answer Mr. Cooper's question, if it is agreeable, I will skip the order here and come to the effect of the passing of a stockyards into the hands of one or two or more of these packers, and I will answer it

generally and that will answer your specific question, and I can do it very easily by just simply rearranging the order of what I am saying, and it is really the last part of all this situation we were leading up to this morning, but we will skip the other matter we have here and come right to that.

EFFECT OF STOCKYARDS CONTROL ON PRODUCERS AND ON INDEPENDENT PACKERS.

The stockyards contain and control all the facilities and functions that are the necessary adjuncts and collateral activities of a live-stock market. Among these are the terminal and switching facilities; the exchange building in which commission men and others rent their offices and which is the headquarters of practically all market management; the yards and pens and all yarding assignments and services; all weighing facilities and services; the feeding of live stock—in fact, all the facilities and services through which live stock must be handled and sold. Those who control these market centers and govern all these market paraphernalia and processes are also in possession of confidential shipping and marketing information.

Ownership of stockyards has materially aided the big packers to control the markets in the interest of the buyers—themselves—as against the interests of the sellers—the producers—and also as against the interests of some of the independent packers.

Mr. COOPER. May I interrupt you there?

Mr. COLVER. Yes.

Mr. COOPER. In what way does the ownership of those terminal facilities or stockyards become important to the public?

Mr. COLVER. I am coming to it just as fast as I can—I beg your pardon.

The producers of these animals say that the live-stock markets should be open, free, and competitive markets.

Control of the stockyards has been an important factor in enabling the big packers to effectively reduce independent competition, and in some cases eliminate it.

ELIMINATION HURNI PACKING CO.

One independent packing company absorbed by the big packers in 1917 was the Hurni Co., of Sioux City.

Now, here is where the public comes in. In Sioux City there was an old Swiss who had come to that town years and years ago. He started out by going to the stockyards and buying the crippled pigs; the pigs that had been hurt in shipment but were not dead, and taking them to his little house or shop, or a place in the back of the lot and killing them, dressing them, and preparing that pork and peddling it around.

From that wheelbarrow beginning he kept on increasing his business until finally he owned a fine little packing plant right in the yards; that is to say, he got a piece of land, built his packing house on it, and when the yards had to grow—that is, when the development of the market forced a growth of the yards—the Missouri

River was on one side and a creek was on the other side at an angle, and the yards were up against the two waterways, and this chap was behind them, so they grew around him, and the yards encircled his plant, and he had a pretty good sized plant.

Now, the public was interested in this way: The public of Sioux City, let us say—the public of Sioux City was interested to see this old chap, who had started in with a wheelbarrow and who had built up a fine, successful business, rewarded, I think, for his contribution to the growth of Sioux City. Also he fixed his own prices. He was a factor in determining the price of the meat that the Sioux City people ate. He was independent. He was a Swiss. I guess he must have been from the mountains instead of the valleys of Switzerland; but anyway, he was an independent, and he stuck on there for years.

The public was interested, then, I think, in the development in that western community of a big business out of a small one. It was interested because the development of that business developed the town. It was interested because the development of that business furnished competition in a basic food commodity. It was interested because the development of that business furnished another market for growers of stock to bring material in and get their money, and spend their money with the merchants of Sioux City. There, I think, to a degree, was a public interest in that yard.

MR. HAMILTON. Mr. Colver, may I ask you a pertinent question right there?

MR. COLVER. Yes.

MR. HAMILTON. Was there competition between this Swiss and the packers as to prices locally; or did he cooperate, and was there an understanding as to prices?

MR. COLVER. There was competition to this extent, that his competitors tried to put him out of business by every method there was, including cutting prices. Yes; there was competition.

MR. HAMILTON. Repeat that, please. I did not catch it exactly.

MR. COLVER. I say, there was competition to this extent: That his competitors, the packer companies, tried to put him out of business for years by every device, including price wars.

MR. HAMILTON. Then there was competition.

MR. COLVER. There was competition up to the time he gave up the ghost. He is going to give up the ghost shortly.

MR. HAMILTON. The consumer in that case had the benefit of the competition?

THE CHAIRMAN. Yes.

MR. COLVER. The consumer in that case has the benefit now of having seen that industry wiped out.

MR. HAMILTON. No; I said before that time. Before it passed over into the hands of the big packers the public or the consumers had the benefit of the competition.

MR. COLVER. Exactly; just as the seller of munitions has the benefit of a war. It is profitable while it is going on and until somebody gets killed. I can not call it benefit, Mr. Hamilton. I can not adopt your word.

MR. HAMILTON. I do not understand you, then. Competition has always seemed to me to be a benefit to the consumer. If you and I

cooperate and fix the price, we are arbitrarily controlling the price to the consumer.

Mr. COLVER. Yes.

Mr. HAMILTON. If you are bigger than I am and absorb me, then you fix the price and the consumer has to pay what you fix as the price.

Mr. COLVER. Yes.

Mr. HAMILTON. That is what I was trying to get at in this case.

Mr. COLVER. Yes; but the competition which puts me out of business and later lets you fix the price forever is not a benefit to the consumer, because—

Mr. HAMILTON (interposing). Precisely not; and that is exactly what I have been trying to demonstrate.

Mr. COLVER. That is why I did not like to accept your word "benefit."

Mr. HAMILTON. As long as it existed it was a benefit. It is one of the evils of present conditions, as I understand, that competition has been largely done away with. That was what I was trying to get at.

The CHAIRMAN. Proceed, Mr. Colver. We want to go ahead.

Mr. HAMILTON. We do not want to go ahead too fast. He did not understand me.

The CHAIRMAN. We do not know yet that the old man ever sold out.

Mr. HAMILTON. He is coming to that point. It is perfectly clear what is going to happen to that old man.

Mr. MURDOCK. You can see his funeral.

Mr. HAMILTON. I can see his funeral now.

Mr. COLVER. Now, let us drop the wreaths on this poor old chap. One big independent packing company absorbed by the big packers in 1917 was the R. Hurni Co., of Sioux City. This property was sold to the Sioux City Stock Yards Co., controlled by Swift, which—

The CHAIRMAN (interposing). Is the company you are referring to now the company that was owned by this old Swiss?

Mr. COLVER. Yes; this is the old Swiss, Hurni.

The CHAIRMAN. Heretofore you have called him the old Swiss and nothing else?

Mr. COLVER. I said he was an old Swiss, because he was from Switzerland.

The CHAIRMAN. But did you not give his name?

Mr. COLVER. Mr. Hurni was the name of this old Swiss.

The CHAIRMAN. The old Swiss and the company they absorbed are the same thing.

Mr. COLVER. Yes; this property was sold to the Sioux City Stock Yards Co., controlled by Swift, which company in turn leased the property to Swift & Co. The Hurni Co. in 1917—

Mr. COOPER (interposing). Did this company have to sell out?

Mr. COLVER. We are coming to that.

The Hurni Co. in 1916 had an average kill per week of 172 cattle, 37 calves, and 200 hogs, and shipped about 300 cars of dressed beef per year in interstate commerce.

The stockyards company tried to get the Hurni plant for many years. It adjoins the stockyards and by cutting a gate from the alley to the Hurni property, Hurni's cattle and hogs could have been delivered direct to his plant from the yards.

We have a picture of that, which is interesting, and I wish it were here.

The CHAIRMAN. You can put it in your hearings, if you will.

Mr. COLVER. I will try to explain it without the picture if I can.

But the stockyards company refused to allow the gates to be put in. Consequently the Hurni live stock purchased had to be driven from beyond the extra buildings and through Chambers Street, one of the most congested streets of the city, several blocks to the Hurni plant.

Now, let us see. Here [indicating] were the stockyards and here is the Missouri River, and here is this street, with this old gentleman and his packing house here [indicating]. The stockyards were over here [indicating]. They had to grow, so they grew around in this way [indicating] until the stockyards were here and this plant was right in here [indicating]. The exchange building was here [indicating], and he bought the stock at the exchange building; and here [indicating] were the pens and here were the roadways, and he asked them to cut a gate here [indicating], so that when he bought his animals he could deliver them into his yards.

The CHAIRMAN. Through the gate?

Mr. COLVER. Through the gate. For years he asked it, but it was never granted; so he had to come out here [indicating] into a city street, with street cars on it—a crowded city street, and drive around from a gate over here [indicating].

Mr. DILLON. When you say “coming out here” and “going out there,” that does not mean anything unless you put in a plat.

Mr. COLVER. I was trying to indicate the situation of this yard.

Mr. MURDOCK. But that would not show in the record.

Mr. COLVER. It will not show in the record, of course.

Mr. DILLON. That is what I meant.

Mr. COLVER. He asked for years that this gate be cut through from his place into the yards where he bought his stuff.

Mr. HAMILTON. In other words, they had him in a pocket.

Mr. COLVER. Yes.

Mr. SANDERS. Can you not explain the whole thing by saying that since the Swifts have bought it the gate has been put there?

Mr. COLVER. Yes; and more.

Mr. SANDERS. Since the same interests that own the stockyards have acquired the plant they have put the gate there?

Mr. COLVER. Yes. The day after the stockyards company acquired the plant the gate was put in and thereafter stock was received direct at the plant.

The CHAIRMAN. A competing stockyards, as I understand, owned land and had control of putting in the gate and refused it?

Mr. COLVER. This stockyards, you know, was owned by Swift & Co., and he was their competitor.

The CHAIRMAN. He was their competitor and they would not let him have the gate, which made it very inconvenient and less profitable for him to operate his business.

Mr. COLVER. Yes, that is right. I am trying now to get to where the public is interested in the thing. Mr. Hurni tried for five years prior to the sale of his plant to get some sort of switching track that would enable him to load meat at his plant. He had to haul this product through the streets to connect with the switching track of the Terminal Railroad Co. at a cost, stated by his attorney, of \$30

per car. That figure is not verified, and I do not adopt it; but it is given by a man who says he knows. I mean we have not had an expert accountant to figure it out at \$30 a car; and that involved the taking of dressed meat from Hurni's plant, putting it on wagons, which had to be maintained—either wagons or automobiles—and involved the upkeep of the vehicle and of either the motors or the horses that hauled the product and crews for loading the meat and driving the wagon or driving the automobile, and that is estimated at \$30 per car. I do not mean estimated, but testified to before the commission at \$30, which is a figure that was not established by bookkeeping, because there was not any bookkeeping there.

The stockyards company always refused permission for the construction of the tracks, but after the plant was sold to the stockyards company the track was put in.

Now, here is a public interest:

It was necessary, in order to have the tracks, for the city council to grant a franchise authorizing the construction of a track across Chambers Street. The Hurni people appeared before the city council several times to support the request for the franchise. The manager, superintendent, and general counsel of the stockyards company appeared also and opposed the granting of the franchise, and their views prevailed.

Within 10 days after the sale of the Hurni plant to the stockyards company these same officials appeared before the council to request the same franchise which they had previously opposed. The council passed it this time, and the track was put in.

I think there is some public interest in that; that is, if the public out there are interested in their council.

Mr. COOPER. I think it was time for the public to get busy with that council.

Mr. COLVER. Well, maybe they did not know it.

Mr. SWEET. Now, there is another independent concern at Sioux City—the Statter Co. Is that in existence now?

Mr. COLVER. That is relatively a much smaller concern than this. It is still in existence.

Mr. SWEET. That is an independent concern, too, is it not?

Mr. COLVER. Yes. His plant is not so extremely advantageously located as Hurni's was, where the stockyards grew right around it; but the Statter people, in turn, have been seeking and seek switching facilities and have not gotten them. He did not even ask for a switch; he just asked for a lane so he could drive his stock a shorter route out of another side of the yards, driving them along a lane along the river, and he can not get that; that is, this other concern you speak of, which is a smaller concern. I do not know the merits of his not getting it at all, or whether he should have it or should not. In this other case it seems this gate and the switching track were good things—perhaps too good a thing—for some people to have.

Mr. COOPER. In reference to this company that was absorbed by the Swift Co., which you just spoke about, do you know what the consideration was when they sold out to Swift? Did they get a pretty good price for their institution—that is, did they stand to lose anything in having to sell, or did they make something on the transaction?

Mr. COLVER. The sale took place and the old Swiss, Hurni, died two weeks later. His advancing years may have had an influence. The price that was paid was an agreed price, and I can not tell you what the price was.

Mr. COOPER. They probably then received some benefit from the sale of the plant.

Mr. COLVER. The old man?

Mr. COOPER. Yes.

Mr. COLVER. Undoubtedly. He was paid for his place; and let us assume he was paid a fair value for his packing house without the switching track and without a gate into the yard, the live stock for which had to be driven down a street with car tracks and street cars. Those were among the elements that went into the property that was sold.

Mr. COOPER. Do you think there was anything unfair in the Swift Co. trying to absorb this property if they paid him his price for it?

The CHAIRMAN. We are now talking about the public interest.

Mr. COOPER. But the Swift Co. is involved in this public question here. Suppose you and I had the property and we were offered a good price for it. If we thought we could make something we might sell.

Mr. COLVER. Yes.

Mr. COOPER. Was there anything unfair in the Swift Co. trying to get this property?

Mr. COLVER. In the first place, of course, we must not say that the Swift Co. got it. We must not say that, because if we did we would have a breach of the law. No; the Swift Co. did not absorb this plant.

Mr. COOPER. I understood so.

Mr. COLVER. Oh, no; the stockyards company bought the place from Hurni, the stockyards company being a stockyards company and not a packing house, and therefore a competitor did not buy a competitor. Then the stockyards company leased it to Swift, who was a packer, so it is quite evident that the packer did not absorb his competitor. That is, perhaps, a compliance with the letter of the law.

Mr. DOREMUS. I have gathered from your remarks, Mr. Colver, that this operator, this independent operator, was forced to sell by reason of the competition that preceded the sale; is that true?

Mr. COLVER. It is difficult, of course, to say now that that dead man reached a point where he was forced. He finally gave up the fight. He had asked for reasonable things. He had asked for reasonable facilities. These two instances we have given you are only two instances of the row the old man was hoeing there.

Mr. SANDERS. Is it not reasonable to presume that if he could have gotten switching-track facilities and a gate and everything of that kind he would not have sold?

Mr. COLVER. I would think so. I think if he was there on even terms with anybody else, that they would still be in existence as an independent plant. I think that is reasonable to presume.

Mr. SANDERS. Then it is reasonable to presume that measures were adopted to force a sale and that it was forced.

Mr. COLVER. I think so.

Mr. DOREMUS. I understood you to say he was subjected to unfair competition by virtue of price cutting, among other things?

Mr. COLVER. If I said "unfair," I thought I said the severest of competition, hostile competition.

Mr. DOREMUS. Including the cutting of prices.

Mr. COLVER. Yes.

Mr. DOREMUS. That all bears on the question and answer to Mr. Cooper as to whether there was a square deal all around.

Mr. COLVER. Yes.

The CHAIRMAN. Let me get straight on it, myself. Was it competition in his use of the yards by the yard company or was it competition in meat products sold by this packer and the other packers in competition with him?

Mr. COLVER. Yes; the latter.

The CHAIRMAN. Then, the stockyards company was not per se selling dressed meat?

Mr. COLVER. No; the competition lay, as you say, between the packers and this old packer, and the yard, which was the medium at least of some of the difficulties that this old man met with, was not in competition with him. It was just owned by the people who were in competition with him; that is all.

Mr. SANDERS. In the language of the street, he got the worst of it from both sides, did he not? He was crowded out? The stockyards would not give him any facilities, and his competitors who were selling meat were trying to sell under him and drive him out of business.

Mr. HAMILTON. It is a clear case of "freeze out," is it not? It was apparent from the outset that it was, and that the more difficult they made it for the old man the cheaper they could buy him out eventually.

Mr. SANDERS. Of course.

Mr. HAMILTON. It is a very simple proposition and as old as human nature, unfortunately.

Mr. COLVER. Yes; it is like Naboth's vineyard. I have never figured just how they got him to sell out, but it was something like that.

T. M. SINCLAIR & CO.

Mr. SWEET. In this connection, we also have the Sinclair Packing Co. at Cedar Rapids, which originally was an independent concern. Can you give us any facts in connection with that concern, showing how it was finally absorbed or controlled?

Mr. COLVER. May we pass that until we see whether we have the Cedar Rapids papers here?

Mr. SANDERS. You can assume it was treated in the same way.

Mr. SWEET. No; it was not treated just in the same way, because they endeavored to get control of the stock by purchasing the stock; and, as I understand it, the company continued to act under the name of the Sinclair Co., ostensibly as an independent company, when in fact it was controlled by Wilson & Co.

Mr. SANDERS. I would say that is practically the same treatment, whether you get rid of a competitor by killing him or buying him.

Mr. SWEET. As a matter of fact, I would like to have those facts developed. (Matter subsequently furnished by Mr. Colver, p. 210.)

Mr. COLVER. Now, Mr. Cooper asked me what the effect of this ownership is, and what the objection to this sort of ownership is, and there are perhaps only two more things that can be said on the effect that this ownership has:

Mr. COOPER. The reason I asked the question was because I believe in fair competition, and it is information purely that I am seeking in asking the question.

Mr. COLVER. Yes; and that is why I said, when I postponed your question, that I felt sure we would cover your whole question in this development, and I am letting you know now that I am trying to answer the question, and when we get through, if I have not satisfied your question, I am going to try it again; that is all.

Mr. HAMILTON. Mr. Colver, I assume you are going to cover this point before you finish. I suppose it is axiomatic that the more capital there is behind a business the cheaper each unit of production can be produced. In the course of your statement, will you develop whether the tremendous financial strength of these packers has tended to cheapen the various units of production, or whether they have so manipulated that they have controlled prices against the interests of the consumer. It strikes me that is one of the very important elements in this matter.

Mr. COLVER. Yes; I would think that would perhaps come under a discussion of that subject; that is, the price subject and tendency rather than under this stockyards question.

Mr. HAMILTON. Then you will reach that question before you get through and elaborate on it?

Mr. COLVER. I hope so.

The CHAIRMAN. How much do you lack of being through presenting the stockyards statement?

Mr. COLVER. Just a few more words as to the effect of this ownership, such as we found in Jersey City, the passing of the ownership, such as we found in Chicago, and such as we found in 33 places in the country covering 83 per cent of the live stock sold in all stockyards in the country, or passing through all stockyards in the country.

EFFECT OF STOCKYARDS CONTROL ON COMMISSION MEN.

The stockyards contain all the yard facilities employed by the live-stock commission men, who act as the selling agents of the producers, who I take it are part of the public, and represent some public interest, and who would seem to be better able to serve their clients if they could be independent of the buying interests.

The commission men rent their offices of those who control the yards, and are beholden to these interests for the assignment of pens and the furnishing of other market facilities.

Mr. COOPER. Just on that point: Am I to understand, then, that the fact that Armour controls this terminal stockyards in New Jersey, I believe you said it was——

Mr. COLVER. Jersey City.

Mr. COOPER (continuing). That they are the only packing company that go into that vicinity; is that true?

Mr. COLVER. No; of course. Swift was with them.

Mr. COOPER. Well, suppose Armour was the only one. That would mean that the commission merchants there would have to buy the Armour product; is that correct?

Mr. COLVER. Let us see if we can not give you a direct answer to that question that will probably answer the whole question.

Summarizing sworn testimony in a public hearing in St. Paul on August 17, 1917, this incident occurred, as showing the effect of such ownership in the relation that you have just asked, I think.

A Mr. Dickey, a buyer for an independent packing company in St. Paul, testified that he, in company with a Mr. Fosness, who is one of the principal owners of Hinman & Co., the independent concern, in whose employ Mr. Dickey was, went to one of the pens of Bangs, Berry & Co., commission men, and bought three steers at 7½ cents. Just after the trade had been closed Swift's buyer came along and bid the same price. Whereupon Bangs, Berry & Co. refused to deliver to Hinman who had bought these animals and had the steers driven to the Swift plant. When Mr. Dickey remonstrated, it was considered sufficient answer to say, "Oh, well, you see, Swift wanted them." Mr. Bangs, of this firm of commission men, is the son of John Bangs, Swift's manager in St. Paul.

The answer generally, instead of specifically, as in citing that case—the control of the yards, the control of the market places, the control of the facilities and the offices gives the advantage, because, as I just said, the commission man, who is the agent of the producer, of the live-stock raiser, is himself beholden to the owner of the yards for the facilities that are at his disposal. His transactions can be facilitated or can be hindered, and, not to detain you here to read how efforts have been made successfully to get commission men back in line, and it is not difficult when the ownership of the yards and the place where they transact their business, and most of the yards and places where they transact their business are in the hands of the man who wants to get them in line—

Mr. HAMILTON (interposing). Mr. Colver, I do not know that it is very important, and yet as I have been thinking over this Sioux City illustration I have been wondering just why Swift & Co. did not kill off the old man sooner by paying better prices for stock on the hoof than the old man could pay, and thereby shut him out. Have you any information in relation to that? It seems to me the process might have been shortened. The fact is as they finally managed it they made it inconvenient for him and finally took over his business and paid him a price for it in harmony with the impaired conditions imposed upon him. But they could have gotten rid of him sooner?

Mr. COLVER. Oh, yes. But when you state a problem like that we have to "stop, look, and listen" and see what you start when you do a thing like that. To do it as you suggest might not be unlike using a 16-inch gun to kill a mosquito.

Mr. HAMILTON. Or using a paving stone to kill a fly.

Mr. COLVER. The finish of the old Sioux City man was inevitable; it was only a matter of time. Now, why do anything to put the whole Sioux City market out of line to head off his few head of cattle or make it difficult for him to get his few head of cattle and have thereby the neighboring markets of Omaha all topsy-turvy because Sioux City was out of line and have the unrest transmitted

onto Kansas City and have them fussing there? Have I gone far enough?

Mr. HAMILTON. I think that is altogether plain.

Mr. COLVER. I could go on.

The CHAIRMAN. If he is dead, is there any need of mentioning how he came to die?

Mr. COLVER. His finish was inevitable, and why invoke greater measures than were necessary?

Mr. HAMILTON. In other words it would have put Sioux City out of joint with the general system?

Mr. COLVER. Yes.

Mr. HAMILTON. And the general system was being controlled by the packers?

Mr. COLVER. Yes.

Mr. SANDERS. Would it not have done this: If Sioux City had gone out and purchased all of the beef so that Hurni could not have gotten any, would it not have attracted a great deal of attention to the packers?

Mr. MURDOCK. Sure; if they had done that it would have excited public attention and clamor.

Mr. COLVER. So that, instead of killing Hurni off, as you suggest, he died an accelerated natural death.

The CHAIRMAN. We are taking up a good deal of time with this old Swiss.

Mr. SANDERS. It is not lost time; this is very interesting and important.

Mr. COLVER. I was coming to that; and the only thing I had in mind was, having apparently ignored your question so long, that all I have been saying has been running generally to a reply to your question. I said when I got through I wanted to ask you if your question was satisfactorily answered, Mr. Cooper.

Mr. COOPER. I feel very well satisfied with your answer, so I do not care to detain you any more along that line.

PACKER CONTROL OF YARDS NOT IN PUBLIC INTEREST.

Mr. COLVER. If it is not clear—and your question went to this only, as I take it: You wanted me to chart out and make definite what is the objection to the ownership or control of these stockyards by these five packers, or one or more of them, and I was trying to answer that the public interest was not served, but was disserved; that the producers, not regarded as a part of the public but regarded in their adverse interests as producers, were not served; and I tried to throw in the thought there that the stockyards were not necessarily for the benefit of the buyer, but for the shipper. It is a curious thing that we are always taught to think that the stockyards are only maintained for the benefit of the buyer. The shipper certainly has some interest in the operation of the stockyards.

So that neither the public, then, nor the producer is served, but, on the contrary, is disserved. Then the agent of the producer, the commission man, has his liberty of action interfered with, as in the case of the sale that was made to one concern and the stock goes back; the competing packer is interfered with, especially in the light of the time that he went out and saw the steer that he wanted and bought it,

and then has it taken away from him because the big man wanted it—all of those things seem to tie in to answer your question that it is not in the public interest.

Mr. COOPER. Of course, the real thought I had back of my question, which was about to come a little later on in your testimony, was that I wanted to get the fact relative to the prices that the stockyard companies are charging the public for the products which they produced.

Mr. COLVER. Well, among other things—

CONTROL OF STOCKYARDS, BANKS, AND CATTLE LOAN COMPANIES.

Mr. COOPER. The packers have been charging, I should have said.

Mr. COLVER. Among other things, I should have said that the control of these yards make possible the ownership or control of such necessary adjuncts as the banks, the cattle loan companies, and the dead-animal rendering companies. For instance, in East St. Louis, where the Morris interests control the stockyards, there is only one bank in the yard. That bank has a lease and contract which provides that no other bank shall be permitted in the yard; that nobody shall be allowed to do anything like a banking business within the yards. So that the only other bank that can be used by the people whose offices are in that yard is 2,700 feet, a half mile out of the yards, down the street, from the exchange building, a full 10 minutes' walk; that is the disadvantage there.

The president of the bank that is down the street a half mile away has said that he could not get into those yards to do business for \$1,000,000. One bank was allowed in the yard and no other bank was allowed in. That makes a monopoly there of the cattle-loan companies furnishing the credit by one bank being allowed in and all others being excluded.

That was in line, immediately, with what I was reading, Mr. Chairman.

CONTROL OF STOCKYARDS RENDERING.

Mr. MURDOCK. Did you mention the dead-animal privilege?

Mr. COLVER. Only in passing, and if you would give me five minutes I can clear that up, because the importance of that does not appear; I think, from anything that has been said yet.

Along with the ownership and control, we will say, of this Sioux City Stock Yards goes the Iowa Rendering Works; and the Iowa Rendering Works has an exclusive contract for the disposition of the dead animals in that yard. The shipper consigns his cattle to the yard, and if any are dead upon arriving they can only be disposed of to this Iowa Rendering Works; no one else can buy them and no one else can get at them. That is simple. Every man who does business in the yard has stipulated in his lease by which he does business in the yard that that is what he will do—that among other things, the commission man to whom the live stock is consigned, if any of it shall become dead stock when he gets it, has agreed in advance that he will dispose of it to the Iowa Rendering Works.

Mr. COOPER. He can not do business in that yard unless he agrees to that?

Mr. COLVER. He can not do business in that yard unless he signs the lease, and the lease has that provision in it, and his discretion is the dotted line.

Mr. HAMILTON. This Iowa Rendering Works does not overpay the owner of the dead animal, does it?

Mr. COLVER. I am coming to that. I was just trying to find in here that in July, August, and September of 1917 there were purchased in this Sioux City yard that we are speaking of 58 dead animals for \$175.05, or \$3.02 per animal on the average. Hides off these animals were being sold at that time at 21 cents a pound. Figuring the average weight of a hide at 50 pounds, the hides alone from the 58 cattle so sold brought \$612.48, or 350 per cent profit. This was from the hides alone and leaves out of consideration what was made from the rest of the animal which went into the rendering tank.

In all of this I hope that there is not the impression being given to the committee that this commission or this report objects to profits. Not at all. And when sometimes we read large figures like these, I am so anxious that the record should not show a bias against profit, a bias against earnings. There is not the slightest desire in that direction; it is not what we are talking about and is not what we are trying to impress you with—it is how it is done and whether it is fair.

Mr. SANDERS. There is a difference between profit and piracy. [Laughter.]

Mr. COLVER. We are only talking about profit.

Mr. SANDERS. These figures you have just read are piracy.

Mr. COOPER. In other words, then, Mr. Chairman, Mr. Colver believes that if there was a little competition in the buying up of these animals the owners of the dead animals might receive a little more benefit?

Mr. COLVER. Exactly so.

Mr. HAMILTON. I should like to ask the witness, having in mind this instance, whether this is a typical case and whether there are many other instances where the dead animals are handled substantially in the same way he has described.

Mr. COLVER. Let me put into the record at this point, if the committee says it is all right, some figures on that subject.

Mr. HAMILTON. Put into the records anything that will illuminate the question.

The CHAIRMAN. Put in anything that relates to the same question.

(The data subsequently furnished by Mr. Colver is here printed in full as follows:)

MONOPOLIZING THE DEAD ANIMALS.

Among the monopolies found at practically all the big packer stockyards is that of yard rendering companies which take all the animals that arrive dead at the yards or die after arrival. The rendering done at the yard plants consists in cooking dead animals after the removal of the hides, in kettles or tanks and recovering therefrom tallow, grease, and tankage, products which are important material for use in the manufacture of soap and fertilizer.

These rendering companies are usually owned by the big packing corporations or individual members of packer families and their higher employees. Thus the Union Rendering Co., of St. Paul, is owned by Swift & Co. The St. Joseph Rendering Co. is not incorporated but is operated as a division of the St. Joseph Stockyards Co. which is controlled by Swift. At the other large packing cen-

ters—Sioux City, Omaha, St. Louis, Kansas City, and Chicago—members of the packer families and their employees hold all or nearly all the stock.

These companies are as follows: Sioux City, the Iowa Rendering Co.; Omaha, the Union Rendering Co.; St. Louis, the East St. Louis Rendering Co.; Kansas City, the Standard Rendering Co.; Chicago, the Globe Rendering Co.

At Sioux City Swift interests own 126 shares; Armour interests, 62 shares; and Cudahy interests, 62 shares, which comprises the entire capitalization. At Omaha Swift interests own one-half of the stock; the balance is divided between Morris, Armour, and Cudahy interests. At St. Louis Morris interests own three-fourths of the stock and Swift interests one-fourth. At Kansas City Morris interests own 6,500 shares; Wilson, 1,750 shares; Swift, 750 shares; Armour, 500 shares; Cudahy, 500 shares—10,000 shares in all. At Chicago the division is, Morris, 11,781 shares; Swift, 4,643 shares; Armour, 2,000 shares; Wilson, 1,300 shares; aggregating 19,724 shares out of the 20,000 shares outstanding.

Dividends for the last year for which the commission has returns vary from 65 per cent to 720 per cent a year on the money originally paid in. In the case of four of the five companies above named gift stock was presented to the stockholders, not as against surplus but against earning power secured by monopoly.

GLOBE RENDERING CO.

The Globe Rendering Co. is the rendering company which gets all dead animals in the Chicago stockyards. This company was incorporated August 10, 1908, under the laws of Maine. On September 1, three weeks after incorporation, the rendering company entered into a contract with the Union Stock Yards & Transit Co. by which the rendering company received "the sole and exclusive right to collect all dead animals found upon the premises and within the limits of the property and plant of the transit company aforesaid." The contract is for 15 years and expires September 1, 1923.

The contract also provides in section (b) the consideration which the transit company receives for this monopoly granted to the rendering company. This section reads as follows:

"(b) The rendering company shall pay to the transit company the sum of twenty-five (25) cents per head for all cattle and the sum of ten (10) cents per head for all hogs and sheep collected or handled during the term of this agreement."

The contract also provides in section (c) for the prices which are to be paid to owners or consignees of dead animals. In regard to hogs the prices to be paid are definitely stated in the contract. That part of section (c) reads as follows:

"(c) The rendering company shall also during the life of this agreement pay to the owners or consignees of dead hogs for the carcasses thereof at the rate of three-quarters of a cent a pound when the market price of grease is under five (5) cents per pound; one (1) cent per pound when the market price of grease is five (5) cents per pound or more and under six (6) cents per pound, and one and one-quarter cents per pound when the market price of grease is six (6) cents or more per pound."

The present price of grease is over 15 cents per pound, and yet under the contract they can not be compelled to pay more than 1½ cents per pound. The company has made a concession, however, and is now allowing to owners and consignees 2½ cents per pound, the same price which is allowed for dead hogs at other large yards.

Statements furnished by the Globe Rendering Co. show that it is owned by big-packer interests, the Morris interests having control. The business is extremely profitable, as will be shown later, and the policy has been to vest ownership in the big-packer families and their high-salaried employees rather than in the corporations of Armour & Co., Morris & Co., Swift & Co., and Wilson & Co. Examining the list of stockholders with this in mind, we find that Morris interests own 11,381 shares; Armour interests, 2,000 shares; Swift interests, 4,643 shares; and Wilson interests, 1,300 shares; leaving scattered holdings of 874 shares.

The schedule returned by the company shows that of the \$2,000,000 outstanding only \$200,000 was issued for cash. The balance—\$1,800,000—was given to the stockholders—issued against "property." It has not been the policy of the company to build up large surplus. In the schedule as returned, real estate, machinery and fixtures, motor trucks, and inventory all appear under

these heads in the statement of resources and liabilities as of date of December 29, 1917. Aside from these, the statement of resources has an item listed as "property," the amount of which is \$1,835,191.93. A letter was sent to the Globe Rendering Co. for a statement of what was represented by this "property" item. Under the date of June 3, 1918, the company replied:

"The 'property' item shown in our statement, amounting to \$1,800,000, represents good will, and does not include any tangible property."

On the books of the board of assessors of Cook County, as of May 1, 1917, the land of the Globe Rendering Co. is carried at \$32,652; improvements on land, \$1,800; and personal property, \$3,500; or a total of \$41,956 for total real estate and personal property. These are the figures on full value. The company has acquired real estate costing \$66,627 since May 1, 1917. On the books of the company the real estate is carried at \$77,534.10; the buildings at \$1,171.26; and machinery and fixtures, \$66,517. It is clear that the \$200,000 paid in was enough to cover land, equipment, and a sufficient amount of working capital. The greatest asset of the company is undoubtedly the contract for the monopoly of dead animals, although that is not listed in its statement of resources. It seems evident that the capital was increased to make dividends declared seem smaller.

The record of earnings and dividends for the last five years is as follows: "

	Earnings.	Per cent on cash paid in.	Per cent on paper capital.	Dividends.
1913.....	\$134,360.88	72	7.2	\$140,000
1914.....	101,201.43	51	5.1	60,000
1915.....	86,517.13	43	4.3	120,000
1916.....	148,160.38	74	7.4	140,000
1917.....	222,394.82	111	11.1	140,000

Average dividend for these five years, \$120,000, which is 60 per cent on amount paid in and 6 per cent on paper capital.

" SCHEDULE A."

MAY 22, 1918.

GLOBE RENDERING CO.,

357 Exchange Building, Union Stock Yards, Chicago, Ill.

GENTLEMEN: The receipt of Schedule A of the Federal Trade Commission, duly filled out by officials of the Globe Rendering Co., is duly acknowledged. The commission desires further information in regard to certain items covered in the schedule. You are therefore requested to furnish list of real estate acquired during the last five years and cost thereof, also buildings erected and cost thereof. It is also desired that the item "Property," which amounts to about \$1,800,000 in round numbers for several years, be further explained as to what it covers. The form of statement submitted indicates that it does not include real estate, machinery and fixtures, or inventory, as those items appear separately. The commission directs that the information be mailed not later than May 27.

Yours, very truly,

FEDERAL TRADE COMMISSION,
FRANCIS WALKER,
Chief Economist.

" SCHEDULE A." NMB—O—MAY 22, 1918.

CHICAGO, June 3, 1918.

MR. FRANCIS WALKER,

Federal Trade Commission, Washington, D. C.

DEAR SIR: In reply to your letter of May 22, wish to say that on September 14, 1917, we acquired from the Union Rendering Co., 444.18 acres farm and pasture land surrounding plant, at a total cost of \$66,627. No new buildings have been erected on this property.

The "Property" item shown on our statement, amounting to \$1,800,000, represents good will and does not include any tangible property.

Yours, truly,

GLOBE RENDERING CO.,
PAUL A. DETT, Secretary.

OTHER PACKER RENDERING COMPANIES.

STANDARD RENDERING CO., OF KANSAS CITY.

The Standard Rendering Co. is the company which gets all the dead animals in the Kansas City yards. It was incorporated in 1908 and is controlled by the Morris interests, who also control the stockyards. There are 10,000 shares of \$100 each, making a total capitalization of \$1,000,000. According to a schedule furnished the commission by the company, \$2,500 of stock was issued for cash and \$997,500 for property.

Of the outstanding stock, 6,500 shares are held by Morris interests, 750 by Swift, 500 by Cudahy, 500 by Armour, and 1,750 by Wilson. In its statement of resources and liabilities furnished the commission as of December 31, 1917, the value of "property, buildings, machinery, fixtures, etc.," was represented at \$950,140.85. One of the commission accountants examining the account found that the total book value was less than \$100,000. Assessors' valuation for real estate and improvements and personal property, including equipment, is \$38,500.

The necessary cash working capital is about \$25,000, so it is fair to say that the whole investment represents about \$100,000, even though it is capitalized at \$1,000,000.

	Divi- dends paid.	Per cent on \$100,000.	Per cent on \$1,000,000.
1912.....	\$80,000	80	8
1913.....	80,000	80	8
1914.....	30,000	30	3
1915.....	80,000	80	8
1916.....	100,000	100	10

UNION RENDERING & REFINING CO.

At Omaha the Union Rendering & Refining Co. has the monopoly of the rendering of dead animals at the yards. The capitalization of the company is 1,000 shares of \$100 each. Of this capitalization, \$20,000 was paid in cash and \$80,000 was distributed as a cash dividend. The original capital was adequate and there was but a small surplus—under \$5,000—against which \$80,000 in watered stock was issued, undoubtedly so that the percentage of profit might appear to be reasonable. For that reason the percentages of profit which follow will be figured on the \$20,000 actually paid. Armour's manager in a letter quoted below, estimates the value of plant and real estate at \$25,000 to \$30,000.

This company is controlled and operated by the Swift interests, which own about one-half the stock; the balance is divided between the Armour, Morris, and Cudahy interests.

The profits for the five years, beginning 1912, figured on the \$20,000 actually paid in, and disregarding the \$80,000 gift stock as issued against nothing but monopoly earning power, are as follows:

November 30—	Net profits.	Percentage profit (based on \$20,000).
1912.....	\$14,636.34	73
1913.....	14,542.39	72
1914.....	7,745.93	39
1915.....	13,403.75	67
1916.....	16,140.63	80

EAST ST. LOUIS RENDERING CO.

The East St. Louis Rendering Co. is an example of profits and dividends. This company was incorporated November 30, 1903, with a capital of \$12,000. Thirteen months later, in January, 1905, a 100 per cent dividend was declared in cash. After that no dividends were paid till 1911. On July 12, 1909, the

stock was expanded twentyfold, i. e., the holder of each share of stock received 19 shares additional. On this stock as thus expanded, without new investment of money, dividends were paid as follows:

	Per cent.		Per cent.
1911-----	20	1915-----	30
1912-----	13	1916-----	30
1913-----	21	1917-----	36
1914-----	6		

The 1917 dividends of \$86,400 was 720 per cent on the \$12,000 cash originally paid in.

Aside from the yard-rendering business proper, the profits of the East St. Louis Rendering Co. are swelled by a contract with the city of St. Louis extending from June 19, 1910, to December 31, 1929, by which the city of St. Louis delivers all dead animals dying in St. Louis to the East St. Louis Rendering Co. for \$425 a month. A similar contract exists with the city of East St. Louis, which turns over all dead animals to the rendering company for \$40 a month. This company gets all the dead animals from the National Stock Yards. Morris interests own 75 per cent of the stock and Swift interests the balance of the \$240,000 capital.

The usual complaint about the low prices allowed for dead animals was heard at National Stock Yards and the commission men and shippers had a still further grievance in that while they were obliged to take the low prices offered, Armour, who ships in hogs from Fort Dodge and Peoria, is not compelled to sell those arriving dead to the rendering company, but is allowed to develop the full by-product value at his own plant.

The new stock of July 12, 1909, was issued only partially against surplus which accumulated during the early years of the company's history when no dividends were paid. Mr. Cullen estimated that the real estate, plant, buildings, machinery, and equipment are worth about \$100,000. Assuming this to be true and allowing \$20,000 for working capital, the company is overcapitalized twofold.

The earnings for the last five years are as follows:

Year.	Amount.	Per cent on \$240,000 capitalization.
1913-----	\$49,784.00	20.7
1914-----	34,425.03	14.4
1915-----	64,403.76	26.8
1916-----	82,936.84	34.3
1917-----	86,156.69	35.9

The total for the five years is \$317,706.32, which is but \$22,506.22 in excess of dividends paid during the same period. The surplus December 29, 1917, was \$67,914. The company started out for the year 1918 paying dividends at the rate of 48 per cent per annum.

SITUATION AT LOUISVILLE, NASHVILLE, AND CINCINNATI.

A very striking illustration of the benefits of competition as compared with monopoly in disposing of dead animals is afforded by examining the situation at Nashville, Louisville, and Cincinnati. At Nashville, where there is a monopoly, the shipper receives one and a quarter cents a pound for his dead hogs. At Cincinnati, where there is a monopoly enforced by contract the shipper receives 2.6 cents a pound. At Louisville, midway between Cincinnati and Nashville, where there is competition between two firms, the shipper receives 6 cents a pound. At the six big markets where the monopoly of dead animals prevails, the ruling price allowed on dead hogs is 2½ cents a pound.

IOWA RENDERING CO.

The Iowa Rendering Co. has a monopoly of all the dead animals at the Sioux City Yards. This company is capitalized at 250 shares of \$100 each all paid in in cash. Of this capitalization Swift interests own 126 shares, one more

than half, the balance is equally divided between Armour and Cudahy interests. These are the three packers who have slaughtering plants at Sioux City. The management is in the hands of Swift interests. As bearing on profits earned, two letters found in the files of Swift & Co. in regard to the Iowa Rendering Co. follows:

CHICAGO, July 20, 1917.

Mr. EDWARD F. SWIFT,
Second floor.

Referring to the attached.

You and Mr. Louis F. Swift each own 31 shares—par value \$100.

Dividends have been paid by the company recent years as follows:

January, 1916, special dividend, 50 per cent.

November, 1916, special dividend, 50 per cent.

Year 1916, regular quarterly dividend, 20 per cent per annum.

April, 1917, special dividend, 50 per cent.

January, 1917, regular quarterly dividend, basis 20 per cent per annum.

April, 1917, regular quarterly dividend, basis 20 per cent per annum.

Will it be satisfactory to you to pay special dividend of 50 per cent?

WM. B. TRAYNOR.

CHICAGO, ILL., July 21, 1917.

Iowa Rendering Co. capital stock tax.

Mr. R. F. MURRAY,
Secretary The Sioux City Stock Yards Co.,
Sioux City, Iowa.

DEAR SIR: Replying to yours of the 18th instant in regard to the Iowa Rendering Co.:

If the rendering company made an average of 63 per cent per year for five years from their rendering operations, it would be correct to consider the fair value of the capital stock as \$630.00 per share and make your return on this basis.

Yours, truly,

L. F. SWIFT.

JGS:FP
co—LF Swift

The following letter from Wm. Magivny, Swift stock yard manager at St. Paul, and former yard manager at Sioux City, to L. F. Swift, furnishes a good picture of the prosperity of the Iowa Rendering Co.:

ST. PAUL UNION STOCKYARDS COMPANY,
South St. Paul, Minn., May 7, 1917.

Mr. LOUIS F. SWIFT,
Union Stockyards, Chicago, Ill.

DEAR SIR: Answering your favor of the 1st inst. relative to my stock in the Iowa Rendering Company at Sioux City. Inasmuch as this stock earned \$116 a share last year and is going stronger than that so far this year, I have not been looking very hard for a buyer. I gave several year of work to that institution when I was in Sioux City with the idea that I would help build up something that would be profitable to me in later years, I would therefore not care to dispose of my stock unless I could get enough for it so that the money invested in some other direction would bring me returns somewhere near commensurate to the returns I am getting now. I have 175 shares of St. Paul Union Stockyards Company stock which earned last year about \$2,537.50. My 37 shares of Iowa Rendering Company stock earned last year \$4,292.00. I will put these two together in an offer at \$45,000.00. This offer is subject to prior sale of any part, and in any event will be good only until May 15th.

Yours, respectfully,

(Signed) WM. MAGIVNY.

ST. PAUL UNION STOCK YARDS Co.—COMMISSION CONTRACT.

The big packers monopoly of dead animals is made possible through control of the stockyards. This is illustrated in the following form of contract signed by all commission men who are permitted to operate in the St. Paul stockyards. This agreement, among other things, enforces the rendering monopoly.

Form 97. 300 3-17 Rep.

These articles of agreement, made and entered into this — day of —, 19—, by and between St. Paul Union Stock Yards Co., a corporation duly created and organized under the laws of the State of Minnesota, hereinafter called the first party, as party of the one part, and —, hereinafter called the second party, as party of the other part:

Witnesseth, That for and in consideration of the agreements of the second party herein contained, the first party hereby grants permission to the second party to establish and conduct the business of buying and selling live stock at the yards and upon the premises of the said first party, at South St. Paul, Minn., and also agrees to lease to said second party office space in the Exchange Building of the said first party, located in its yards at South St. Paul, upon the terms and conditions fixed and determined by the lease therefor executed between the parties hereto, when space shall be available.

The second party hereby agrees to establish and conduct the business of buying and selling live stock in the yards and upon the premises of the said first party at South St. Paul, Minn.

It is agreed that all live stock consigned to, delivered to, or in possession of said second party may be yarded and fed by said first party, and said first party shall have and receive therefor the rate and price established by said first party. And said first party shall at all times and under all circumstances have the right to direct the location and pens in which any live stock may be kept at said stockyards.

The said second party agrees to collect for said first party, free of expense, all the charges of said first party for yardage and feeding, together with freight and all other charges due said first party, or for which said first party shall be liable or holden, upon all live stock received at the yards of said first party and consigned to or forwarded by said second party, or that may be turned over to said second party at said stockyards, whether the same is or is not consigned to said second party, and to promptly pay the same over to said first party whenever demanded, hereby agreeing to personally so promptly pay to said first party on demand all such sums or charges, whether collected or otherwise made from other parties or not.

And the said second party hereby agrees to hold said first party harmless and to protect it against any and all claims that may be brought against it by reason of loss or mixing of live stock during the hours when the pens are unlocked and the live stock therein contained is delivered to said second party.

It is further agreed that all animals that may arrive dead at, or that may die in, the stockyards of said first party, and consigned to or in charge of said second party, shall be sold and disposed of as directed by the said first party, as to manner, price, and purchaser.

The said second party agrees to promptly indemnify the said first party for any damages that may occur by reason of the said first party having accepted and executed the orders of the said second party, or the agents thereof, for the handling or delivery of live or dead animals in the stockyards of the said first party, or for any damages that may occur by reason of the said first party having delivered to the said second party, or the agents thereof, any live stock in said yards, authority for which delivery is based upon the representations or requests made by the said second party, or the agents thereof, to the said first party.

The said second party hereby agrees, in conducting the said business of buying and selling live stock to conform to, observe, and obey all the by-laws, rules, regulations, and contracts of the said first party, now or hereafter made or promulgated, relating to, or governing the transaction of business at or through the stockyards of said first party.

The said second party agrees to furnish a bond in the sum of five thousand (\$5,000.00) dollars for the faithful performance of this contract, with sureties, all to the satisfaction of said first party, and to furnish additional bond from time to time whenever said provided bond shall become inadequate or unsatisfactory to said first party.

It is further agreed that said second party shall begin business as herein stipulated on the — day of —, 19—, and shall continue under this contract until the — day of —, 19—, unless this contract be sooner rescinded by the mutual consent of the parties hereto. And it is further expressly agreed by the parties hereto that the said first party may cancel this

contract upon thirty (30) days' written notice, should said second party violate any of the terms hereof.

And it is further agreed that the said second party shall not sell nor assign any interest in this contract or in the business carried on thereunder without the written consent of the said first party indorsed hereon.

In witness whereof the said first party has caused these presents to be signed by its president and attested by its secretary, and its corporate seal to be hereto affixed, and the said second party has _____ at South St. Paul, Minn., the day and date first above written.

ST. PAUL UNION STOCK YARDS Co.,
By _____, *President*.

Attest: _____, *Secretary*.

Mr. COLVER. Then, leaving that and going to another question, we will come to the question of the feeding of the animals in the stockyards by the stockyard companies, and later when you come to trace profit you will find that there is profit and profit. There is profit, perhaps, of less than a cent a pound on meat, but there is many a profit taken between the ranch and the pound of meat, as we will show you.

The CHAIRMAN. Let us go ahead with the packers. We want to draw some conclusions ourselves.

Mr. HAMILTON. Pardon me, Mr. Chairman, but somewhere in this testimony I would like to know a little about the other sources of profit from the rendering business. These animals go into a rendering tank, and there are many products of the dead animals besides the hide. I would like to get some idea of the magnitude of that rendering business, and if Mr. Colver does not want to state it here let him put it in his testimony later, so that we can get it.

Mr. COLVER. Yes; and that is what I meant a moment ago when I said we would put in at this point figures to show what we have on that subject.

STOCKYARDS PROFIT ON HAY AND GRAIN.

Then, one other thing: I will give some figures showing the profit that is made by these stockyards on the grain and hay and the feed of the animal, and charged, of course, to the owner or to the producer of the live stock before it is sold to the packer.

Taking Omaha, for example, the profit on 20,343 tons of hay, which was the amount of hay fed in those yards at Omaha during the year 1914; the amount collected for that amount of hay was \$382,850.35. The cost of the hay—

Mr. HAMILTON (interposing). How much per ton does that figure out?

Mr. COLVER. About \$17.

Mr. HAMILTON. I think, Mr. Chairman, we can not hurry this hearing. I think it is impossible.

The CHAIRMAN. I say it is "impossible." I am trying to hurry as much as possible.

Mr. COLVER. That \$17 is mental arithmetic. You will have to divide 382 by 20, and that is dividing—[\$18.82].

Mr. HAMILTON (interposing). I do not suppose the farmer got over \$10 or \$15 a ton for his hay.

Mr. COLVER. I am going to now give you the per cent and the cash profits made on the transaction, and then we will see how much it is. Without repeating the figures I gave you a moment ago, the transaction was as follows: The amount that the hay was sold for was \$382,850.35; the cost of the hay and the labor in handling the hay was \$246,438.21, and the net profit remaining was \$136,412.14 on the 20,000 tons of hay, and that was a profit of 55.2 per cent net on the cost of the hay and the labor.

Mr. HAMILTON. All of which makes it highly important to the shipper to get rid of his stock as soon as possible for whatever he can get from the packers for his stock?

Mr. COLVER. Yes. The profit on the grain and feed for the year 1914 in the same yard, the receipts; that is, the proceeds, was \$208,651.47. The cost of grain and the labor in handling was \$147,057.53, the net profit remaining of \$61,593.94, which is 41.5 per cent profit on the cost of the grain and the labor.

For 1915 the proceeds on 24,251 tons of hay was \$449,410.35; the cost of hay and labor in handling was \$262,889.68, and the profit was \$186,520.67, and that was 70.7 per cent profit.

Mr. WINSLOW. Gross or net?

Mr. COLVER. Net profit above cost and handling.

Mr. WINSLOW. That may be and yet not be net, which is a different proposition.

Mr. COLVER. Oh, yes; but there has not been brought in any overhead.

Mr. WINSLOW. No fixed charges of any kind?

Mr. COLVER. No.

Mr. WINSLOW. Well, what was it when you got through with that?

Mr. COLVER. In order to arrive at that figure we would have to give you the net of the yard as a whole, and we could not give you the separated transaction.

Mr. WINSLOW. Take the whole business for the year.

Mr. COLVER. We have done that.

Mr. WINSLOW. What is the net profit, all charges having been made against it?

Mr. COLVER. All the charges they made against it we made against it; we are giving the bookkeeping as they made it.

Mr. WINSLOW. What is the net profit on that hay? A man would go up the flue the second year if he kept his books that way.

Mr. SAUNDERS. He would not have gone broke selling hay at 70 per cent profit.

The CHAIRMAN. Mr. Colver, of course your testimony is very important. We have now given you six or seven days. We did not think it would require that long. We have scheduled for to-morrow, the next day, and the next day after that other gentlemen, and then the committee has another subject on next Monday; and I can not tell you when you can resume your statement. But I will say this, that as soon as there is an opportunity the committee will give it to you, and I will advise you.

But I would like to say this: That if you or Mr. Murdock, who are familiar with what the commission has done in the way of obtaining information, find it possible, we would like you to be present when these other witnesses make their statements, because we might want

to ask you something in connection with the statements they make as they go along. These other gentlemen have asked to be heard, and they have been requested to begin to-morrow. One of them is ex-Secretary Fisher and another is Mr. Burke, whom we have asked to be here to-morrow.

Mr. COLVER. I was going to ask the committee if I might not be excused next Monday and Tuesday, as I ought to go out of town on those days on business.

The CHAIRMAN. We will not even take up this subject on next Monday, as that day will be taken up with a hearing on another bill, and we are not sure you can come back next Tuesday. In fact, I do not know whether you can come back any time next week.

We have made arrangements by which the five big packers, as they are called, will begin their representations on the 20th and be heard during the week; and I have notified them to that effect.

Mr. HAMILTON. We will not want to hear them before the commissioner concludes?

The CHAIRMAN. That is what we want to avoid.

Mr. SANDERS. I do not think we will get through in a month. We have now a chance to get some information about the packers, and I, for one, want to get it.

STOCKYARD EARNINGS.

Statement referred to on page 176 follows:

Practically all the stockyard companies enjoy a handsome revenue. The profits are unusually large. It is not uncommon for some of them, particularly those either wholly or partially controlled by the big packers, to realize from 50 to 100 per cent on the capital originally invested.

The Milwaukee Union Stockyards, which is owned by Swift & Co., affords an illustration of the big profits realized by stockyards companies. This company was organized in October, 1905, with a capital stock of \$10,000. The company rents the yards, consisting of 11½ acres with hotel and office building, from the Chicago, Milwaukee & St. Paul Railroad. In 1912 it reported a surplus and undivided profits of \$176,982.46. Its net earnings that year were \$41,597.21. In 1913 its net earnings were \$57,805.15. In 1914 they amounted to \$47,996.09. In 1915 the earnings increased to a total of \$70,315. In 1916 a stock dividend of \$190,000 was declared and the capital stock automatically increased to \$200,000, with a surplus at the close of the year of \$45,050.42.

Stockyards earnings have been so great as to enable the packers to declare numerous stock dividends, and by this means they have substantially increased the amount of their holdings in the yard companies.

At St. Joseph the Stockyards Co. was organized in 1896 with a capital stock of \$500,000. Subsequent increased capitalizations were: 1897, \$750,000; 1899, \$250,000; 1901, \$150,000; and in 1907, \$850,000. Of these increases it is known that at least the last one represents a stock dividend.

OMAHA STOCKYARDS.

The Union Stock Yards Co., of South Omaha, furnishes another good example. Of the \$7,500,000 capital stock of this company, \$4,300,000 represents stock dividends declared as follows: June, 1890, \$1,800,000; July, 1893, \$1,000,000; and June, 1903, \$1,500,000. Over a million dollars of additional stock was issued in the form of bonuses to different packers.

The figures of earnings of the Union Stock Yards Co., of Omaha, which follow are those furnished by the Stock Yard Co. itself to the Nebraska Railway Commission under the provisions of a State law which declares stockyard companies common carriers and requires them to report to the railway commission. The profits shown on hay and grain sold in the yards come from the same source.

	Receipts.	Expenses.	Net.	Gain.	Operating rate.
				Per cent.	Per cent.
1885.....	\$61,634.57	\$31,179.59	\$29,854.98	48.5	51.5
1886.....	91,294.65	48,902.20	42,392.45	46.4	53.6
1887.....	237,967.02	63,333.30	174,633.72	73.0	27.0
1888.....	279,721.43	76,582.96	203,138.47	72.7	23.3
1889.....	290,167.32	76,930.99	213,236.33	73.4	22.6
1890.....	425,602.12	101,892.47	323,709.65	76.0	24.0
1891.....	409,142.93	114,199.34	294,943.59	72.1	29.9
1892.....	492,988.96	121,963.34	371,025.62	75.3	24.7
1893.....	538,600.15	169,682.08	368,918.07	68.6	31.4
1894.....	602,061.67	167,450.28	434,611.39	72.2	27.8
1895.....	418,505.32	148,399.82	270,105.50	64.6	35.4
1896.....	411,201.92	138,428.18	272,773.74	66.4	33.6
1897.....	559,266.12	163,331.24	395,934.88	70.8	29.2
1898.....	554,479.55	176,419.24	378,056.31	68.2	31.8
1899.....	587,861.38	182,595.26	405,266.62	68.8	31.2
1900.....	624,863.33	189,162.51	435,701.82	69.7	30.3
1901.....	634,519.87	184,504.36	449,715.51	71.0	29.0
1902.....	784,728.68	212,290.51	572,438.17	73.0	27.0
1903.....	757,819.95	248,950.15	508,864.80	67.4	32.6
1904.....	724,856.97	257,156.88	467,700.09	64.6	35.4
1905.....	758,686.89	287,631.30	471,055.59	62.1	37.9
1906.....	816,581.94	312,244.65	504,437.29	61.8	38.2
1907.....	809,782.78	319,280.89	490,501.89	60.8	39.2
1908.....	785,015.93	288,995.96	496,019.97	63.2	36.8
1909.....	854,083.27	284,796.18	569,287.09	65.9	34.1
1910.....	878,812.25	324,253.44	554,558.81	63.0	37.0
1911.....	953,936.38	337,574.45	616,361.93	64.6	35.4
1912.....	949,182.79	314,749.15	634,433.64	66.8	33.4
1913.....	977,661.77	324,729.47	652,932.30	66.8	33.4
1914.....	924,132.33	371,180.06	552,952.27	60.0	40.0
1915.....	1,080,841.56	379,239.98	701,601.58	64.9	35.1
1916.....	1,323,749.73	412,891.24	901,858.49	68.8	34.5
1917.....	1,336,448.92	488,877.19	847,571.73	63.4	36.6
1918.....	1,575,518.00	776,683.26	798,834.74	50.7	49.3

Expense items include interest and taxes as shown by sample statement of operation for 1915, year ending November 30, 1915.

Detailed operations, Omaha stockyards, 1915, year ending Nov. 30, 1915.

<i>Earnings items.</i>		<i>Expense items.</i>	
Yardage.....	\$646,641.81	Labor.....	\$119,266.60
Profit on hay.....	186,520.67	Water.....	22,213.35
Profit on grain.....	63,393.46	Cleaning yard.....	26,279.06
Horse and mule department.....		Lost and damaged stock.....	602.62
Rent.....	31,573.64	Traveling expenses.....	1,553.01
	35,901.72	Taxes and insurance.....	88,622.73
Car loading and switching.....		Coal and ice.....	731.67
	96,684.64	Electric light.....	1,649.28
Hotel department.....	9,450.00	Advertising.....	19,916.58
Dipping account.....	6,091.08	Legal services.....	4,820.60
Horseshoeing shop.....	1,290.06	Telephone and telegraph.....	3,206.50
Grease account.....	3,289.48	Stationery.....	2,688.44
		Yard repairs.....	54,681.76
		Miscellaneous and donations.....	5,714.73
		Interest.....	19,742.57
		Blacksmith shop.....	270.25
		Incinerator.....	7,280.23
			379,239.98
		Gain from operation.....	701,601.58
	1,080,841.56		1,080,841.56

These large earnings have made it possible to give away valuable real estate to the big packers; build plants for them which were subsequently sold to them at cost, or given to them; give them huge blocks of stock for nothing or 50 cents on the dollar; charge large amounts to maintenance, profit and loss, and new construction; give millions of dollars in new stock as a stock dividend, and yet all this time pay dividends and bond interest regularly. Owing to these benefactions to those interested, the earnings, with respect to amount of stock outstanding, show about 8 to 10 per cent on the capital stock, a goodly part of which, it must be remembered, was given without money being paid therefor.

The complaint in Nebraska is that these earnings were wrung from shippers, in both good and bad years, by unjustifiably large charges for yardage and feed.

OMAHA YARD.

PROFIT ON 20,343 TONS OF HAY, YEAR 1914.

Proceeds	\$382, 850. 35
Cost of hay and labor in handling	246, 438. 21
Profit	136, 412. 14

This profit is 55.2 per cent of the cost of hay and labor.

PROFIT ON GRAIN AND FEED.

Proceeds	\$208, 651. 47
Cost of grain and labor in handling	147, 057. 53
Profit	61, 593. 94

This profit is 41.5 per cent of the cost of grain and labor.

PROFIT ON 24,251 TONS OF HAY, YEAR 1915.

Proceeds	\$449, 410. 35
Cost of hay and labor in handling	262, 889. 68
Profit	186, 520. 67

This is 70.7 per cent of the cost of the hay and labor.

PROFIT ON GRAIN AND FEED.

Proceeds	\$246, 277. 70
Cost of grain and labor in handling	182, 884. 24
Profit	63, 393. 46

This is 34.4 per cent of the cost of grain and labor.

PROFIT ON 25,233 TONS OF HAY, YEAR 1916.

Proceeds	\$499, 630. 43
Cost	\$244, 023. 70
Labor in handling	17, 745. 65
	261, 769. 35
Net profit	237, 861. 08

This is 97.5 per cent on cost of hay.

GRAIN.

Proceeds	\$289, 652. 36
Cost	\$202, 589. 93
Labor in handling	2, 957. 70
	205, 547. 63
Net profit	84, 104. 73

This is 41.5 per cent on cost of grain.

Out of \$7,496,300 capital stock now outstanding, the following stock has been issued for considerations other than cash payment:

August, 1884: For stock holdings in the Transfer Stock Yards Co., of Council Bluffs, Iowa.....	\$350,000
November, 1886: Stock bonus to Fowler Bros. and various sales of stock below par.....	233,460
November, 1888: Stock donations to Swift, Armour, and Cudahy.....	250,000
June, 1890: Stock dividend on a pro-rata basis.....	1,800,000
July, 1893: 25 per cent stock dividend to stockholders of record.....	1,000,000
June, 1897: Stock bonus to Armour & Co.....	750,000
June, 1903: Stock dividend on a 25 per cent basis, which, figured on the then outstanding capital stock, would make \$1,500,000. The uneven number is due to the fact that fractions of shares were not issued. Stockholders, however, buy fractions from each other and upon presentation of fractions large enough to make up an integral unit, full shares are issued to them that entitle them to all the back dividends.....	1,479,100
November, 1903: Additional stock bonus to Armour & Co.....	37,800
From 1903 to 1911: Stock due and issued as part of \$1,500,000 stock dividend on fractions, as indicated above.....	17,200
Total.....	5,917,560
Of the \$1,500,000 stock dividend that has not been issued as yet, but probably will be as the fractions come in.....	3,700

This gives us a total of stock issued for considerations other than cash out of a total of \$7,500,000 capital authorized----- 5,921,260

T. M. SINCLAIR & CO., CEDAR RAPIDS, IOWA.

In response to Mr. Sweet's question on page 193, Mr. Colver furnished the following:

T. M. Sinclair & Co. was absorbed by Sulzberger & Sons Co. in 1913. A Delaware corporation, known as the Central Products Corporation, took over the entire stock, \$100,000 preferred and \$400,000 common, of T. M. Sinclair & Co. This holding company has 25,000 shares of common stock, all of which was owned by Sulzberger Sons & Co., later Wilson & Co. (Inc.).

The price received by the Sinclairs was 11,217 shares of the 12,217 shares of preferred stock of the Central Products Corporation, Wilson & Co. (Inc.) taking the remaining 1,000 shares. This preferred stock has no voting power.

The actual slaughtering business is still carried on by T. M. Sinclair & Co., the subsidiary corporation, all of whose stock is owned by Wilson & Co. (Inc.) through the Central Products Corporation. Members of the Sinclair family are still officers of T. M. Sinclair & Co., Robert S. Sinclair being now president and A. S. Sinclair secretary and treasurer.

EXHIBITS.

EXHIBIT A.

THE MEAT PACKERS IN THE SALMON-CANNING INDUSTRY.

In order to ascertain whether any effect on price has resulted from the entrance of the "Big Five" into the canned-salmon industry, the following exhibits have been prepared:

I. A comparison of the price of canned salmon and the general index of food prices.

II. The estimated selling prices on the different grades of salmon sold by the packer-controlled companies and by the other companies in 1916 and 1917.

III. The cost of the different grades of salmon as packed by the packer-controlled companies and the independent companies in 1916 and 1917.

IV. The costs, prices, and profits of the packer-controlled companies and of the independent companies on an average of all grades for 1916 and 1917.

V. Conclusions.

I. The salmon prices and the general index of food prices.

	Index of food prices. ¹	Index of opening prices of salmon. ²		Index of food prices. ¹	Index of opening prices of salmon. ²
1914.....	100	100	1916.....	121	94
1915.....	98	85	1917.....	180	156

¹ Bureau of Labor's index of wholesale prices.

² Weighted average for all grades.

Salmon prices did not rise so rapidly during the war as did food prices generally. The meat packers, who had always been interesten in the salmon industry, extended their operations considerably in the salmon-canning industry in 1916. Although the increase in the price of salmon between 1916 and 1917 was greater than the increase in prices generally in the same period, this was partly due to the fact that the opening prices, which were used in the index, were higher than the prices actually realized.

II. Estimated average selling price per case of different grades of salmon, 1916 and 1917.

	Companies controlled by packers. ¹	Companies partially controlled by packers. ²	Other companies (32).
1916.			
Red.....	\$5. 13	\$5. 48	\$6. 37
1917.			
Red.....	7. 86	8. 50	9. 09
Pink.....	4. 21	6. 14	6. 27

¹ Wilson and Swift.

² California Packing Corporation, Pacific American Fisheries, Booth Fisheries Co.

The packer-controlled companies sold the same grade at lower prices than the small companies in 1916 and in 1917. Although these lower prices were apparently due to lower costs, it was probably not efficiency but the ability to get the best grades of raw fish that explained the low costs.

III. Costs of different grades of salmon.

	Compa- nies con- trolled by the packers.	Compa- nies partially controlled by the packers.	Other com- panies.		Compa- nies con- trolled by the packers.	Compa- nies partially controlled by the packers.	Other com- panies.
1916.				1917.			
Red.....	\$3.91	\$3.71	\$4.03	Red.....	\$5.53	\$4.50	\$6.57
Pink.....	2.89	3.02	2.80	Pink.....	4.78	4.06	4.13
Chums.....	2.78	3.52	3.27	Chums.....	3.85	5.19	4.58
Coho.....	4.50	4.60	4.13	Coho.....	5.91	5.57	6.40

The companies controlled by the packers had lower costs for three of the four grades in 1917. The companies probably controlled or partially controlled by the packers in 1917 had lower costs for three of the other four grades. When the situation in 1916 is contrasted with that in 1917 it appears that the smaller companies had unusually high costs in 1917. This was to some extent due to the high costs of raw fish.

A comparison of the prices, costs, and profits of the companies owned by the meat packers and of other companies in 1916 and in 1917 were as follows:

IV. Costs, prices, and profits on all grades of salmon.

	Com- panies controlled by packers. ¹	Com- panies partially controlled by packers. ²	Com- panies ap- parently inde- pendent. ³		Com- panies controlled by packers. ¹	Com- panies partially controlled by packers. ²	Com- panies ap- parently inde- pendent. ³
1916.				1917.			
Average selling price.....	\$5.34	\$4.92	\$4.48	Average selling price.....	\$7.26	\$7.50	\$7.08
Average cost.....	4.62	4.06	3.41	Average cost.....	5.41	4.50	5.01
Average profit (net)	.61	.86	.98	Average profit (net)	2.24	2.92	2.04

¹ Wilson-Wakefield group, and Libby, McNeil & Libby.

² California Packing Corporation, Pacific American Fisheries Co., and the Booth Fisheries Co.

³ 32 independents.

The conclusions to be drawn from these figures are not so valuable, because they represent an average of all grades.

In 1916 the packer-controlled companies sold at a higher average price (per case) than the independents, but this was due to the fact that they packed a larger proportion of the best grade of salmon. The cost (per case) of the packer-controlled companies were higher; thus their profits per case were lower.

In 1917 the prices charged by the packer-controlled companies were higher than those charged by the other companies.

This may be explained by the fact that the packer-controlled companies secured and sold better grades of salmon than the other companies.

The packer-controlled companies, however, made larger margins of profit than the smaller companies. They secured the better grades of fish at relatively low costs.

V. CONCLUSIONS.

Although the price of canned salmon did not rise so rapidly as food prices generally during the war, the increase in the price of salmon between 1916 and 1917 was considerable.

The companies controlled by the "Big Five" did not sell at higher prices grade for grade than the small companies in 1916 and 1917, but the packers probably helped to bring about the high prices charged by the small companies. The high raw-fish costs of the independent companies in 1917 and the relatively small raw-fish costs of the packers in that year are presumptive evidence that the packers' operations are to some extent responsible for the higher costs of the small companies.

EXHIBIT B.

Legend for chart of percentages of control in various facilities and industries.

	Percent- age of control by "Big Five," ^a	Year or other period.
Meat group:		
Receipts of live stock at stockyards controlled by the "Big Five" as compared with receipts at all yards.....	¹ 64.9	1916.
Beef refrigerator cars.....	² 83.1	
Live-stock cars.....	91.0	
Number of branch houses operated by interstate slaughterers.....	2.0	
Interstate slaughter—	86.0	1916.
Head of cattle.....	82.2	1916.
Head of calves.....	79.4	1916.
Head of sheep.....	86.6	1916.
Head of swine.....	63.3	1916.
All animals (live weight).....	73.3	1916.
Interstate and wholesale local slaughter all animals (live weight).....	67.7	1916.
Lard production by interstate slaughterers.....	75.5	1916.
Beef exports from Argentina and Uruguay.....	³ 57.4	1917.
Average monthly stocks held by interstate slaughterers—		
Frozen beef.....	95.0	1916.
Lard.....	75.4	1916.
Pickled pork.....	70.5	1916.
Dry salt pork.....	69.8	1916.
Smoked ham and bacon.....	64.1	1916.
Branch house sales of meats by interstate slaughterers—		
Fresh meats.....	94.9	1916.
Cured meats.....	86.5	1916.
Related products:		
Production mixed fertilizers.....	⁴ 19	1916-17.
Production acid phosphate.....	¹ 11.8	1916-17.
Leather production—		
Shoe stock—		
Sheep.....	43.8	Jan. 1—Nov. 1, 1917.
Calf.....	11.1	Do.
Cattle.....	12.6	Do.
Strap.....	44.9	Do.
Belting.....	21.3	Do.
Harness.....	9.4	Do.
Oleomargarine.....	41.7	1915-16.
Lard compound.....	42.5	1916.
Unrelated products:		
Production of crude cottonseed oil.....	⁵ 7.8	1916-17.
Production of refined cottonseed oil.....	31.8	1916-17.
Production of soap stock from cottonseed oil by cottonseed oil manufacturers.....	30.2	1916-17.
Production of canned kraut.....	⁶ 29	1917.
Production of canned cabbage.....	⁶ 22	1917.
Production of canned berries.....	⁶ 19	1917.
Production of canned asparagus.....	⁶ 13	1917.
Production of canned salmon.....	⁷ 10.6	1917.
Total receipts of grain at Chicago.....	⁸ 23	1917.
Elevator capacity of Chicago and Kansas City.....	⁸ 25	1917.

¹ Not counting Chicago yards as controlled.

² Counting Chicago yards as controlled.

³ Includes Swift, Armour, Morris, and Wilson. Cudahy not engaged in slaughtering in South America.

⁴ Cudahy Packing Co. not engaged in this industry.

⁵ Includes Swift, Armour, and Morris. Wilson and Cudahy not engaged in this industry.

⁶ Control of distribution of many lines of canning not here cited is far greater than control of their production.

⁷ The three largest companies in salmon, Alaska Packers' Association (California Packing Corporation), Pacific-American Fisheries Co., and Booth Fisheries Co. are more or less connected with the packers. The production of these three companies totals 42.8 per cent.

⁸ Armour Grain Co. only. Others not engaged in this trade.

GROWTH OF FIVE PRINCIPAL PACKERS.

Estimated net profits.

	1904	1912	1913	1914	1915	1916	1917
Armour & Co.....	\$1,850,000	\$5,702,000	\$6,158,000	\$7,640,000	\$11,156,000	\$22,849,000	\$27,137,000
Swift & Co.....	3,850,000	8,745,000	9,449,000	9,651,000	23,387,000	24,195,000	47,236,000
Morris & Co.....		1,813,000	1,917,000	2,206,000	2,321,000	4,890,000	8,012,000
Wilson & Co.....		1,326,000	1,364,000	1,209,000	2,464,000	5,314,000	8,519,000
Cudahy Packing Co..	928,000	1,129,000	1,329,000	1,402,000	724,000	3,511,000	4,935,000
Total.....		18,715,000	20,217,000	22,108,000	40,052,000	60,759,000	95,639,000

¹ Not including South American business.

The profits for 1904 were taken from the report of the Bureau of Corporations made in 1905. The profits from 1912, through 1917, are estimated by the commission—the method being to take the net profit as published by the several packers, and add thereto items such as income taxes, surplus reserves, excess depreciation, etc., which should not properly be deducted from net earnings. The commission believes that these figures exhibit a more accurate statement of the earning power of the packers than their own published figures, but it is not in a position to certify to these results in any way. They may be regarded as a minimum statement of profits.

Sales.

[In thousands of dollars.]

	1904	1912	1913	1914	1915	1916	1917
Armour & Co.....		263,307	349,897	354,801	380,157	479,969	1,577,366
Swift & Co.....	200,000	300,000	400,000	425,000	500,000	575,000	871,276
Morris & Co.....		134,430	165,909	158,983	177,040	219,781	268,792
Wilson & Co.....						186,998	225,000
Cudahy Packing Co..	50,829	90,444	104,409	109,121	116,162	133,961	184,811
Total.....						1,595,709	2,127,245

¹ Not including South American business.

The sales for 1904 were taken from the Bureau of Corporations report. The other figures are as reported by the packers without adjustment of any kind. As "gross sales" nowhere appear on the packers' books, the accuracy of these purely statistical compilations is open to question.

Index of growth.

[Fiscal year 1912 taken as 100.]

ESTIMATED NET PROFITS.

	1904	1912	1913	1914	1915	1916	1917
Armour & Co.....	32	100	108	134	196	401	476
Swift & Co.....	44	100	108	110	267	277	540
Morris & Co.....		100	106	122	128	270	442
Wilson & Co.....		100	103	91	186	401	627
Cudahy Packing Co..	82	100	118	124	64	311	437
Total.....		100	108	118	214	325	511

Index of growth—Continued.

SALES.

	1904	1912	1913	1914	1915	1916	1917
Armour & Co.....		100	133	135	144	183	219
Swift & Co.....	67	100	133	142	167	192	290
Morris & Co.....		100	123	118	132	163	200
Cudahy Packing Co.....	56	100	115	121	128	148	204
Total.....		100	129	133	149	179	241

Wilson & Co. sales not available except for 1916 and 1917.

The CHAIRMAN. We are compelled to discontinue Mr. Colver's examination for the present, and the committee will now stand adjourned until to-morrow morning at the usual hour.

(Thereupon, at 1 o'clock p. m., the committee adjourned until to-morrow, January 9, 1919, at 10.30 o'clock a. m.)

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY

HEARINGS

BEFORE THE

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
OF THE HOUSE OF REPRESENTATIVES

SIXTY-FIFTH CONGRESS

THIRD SESSION

ON

H. R. 13324

JANUARY 9 TO JANUARY 20, 1919, INCLUSIVE

PART 3



COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE.

HOUSE OF REPRESENTATIVES.

THETUS W. SIMS, Tennessee, *Chairman.*

FRANK E. DOREMUS, Michigan.
DAN V. STEPHENS, Nebraska.
ALBEN W. BARKLEY, Kentucky.
SAM RAYBURN, Texas.
ANDREW J. MONTAGUE, Virginia.
PERL D. DECKER, Missouri.
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ARTHUR G. DEWALT, Pennsylvania.
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JOHN S. SNOOK, Ohio.
JARED Y. SANDERS, Louisiana.

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RICHARD WAYNE PARKER, New Jersey.
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JAMES S. PARKER, New York.
CHARLES H. DILLON, South Dakota.
BURTON E. SWEET, Iowa.
WALTER R. STINESS, Rhode Island.
JOHN G. COOPER, Ohio.

V. L. ALMOND, *Clerk.*

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GOVERNMENT CONTROL OF MEAT PACKING INDUSTRY.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Thursday, January 9, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. EDWARD L. BURKE, OF OMAHA, NEBR.

The CHAIRMAN. Gentlemen of the committee, Mr. Burke will first be heard, followed by former Secretary of the Interior, Mr. Walter L. Fisher.

Mr. Burke, if it suits you as well, or perhaps better you may proceed with your preliminary statement and we will try not to interrupt you with questions until you have finished your statement.

Mr. BURKE. Mr. Chairman and gentlemen: I have not prepared any formal statement. I am entirely at your service in the matter. I thought I would prefer to talk with you in a general way about this bill and to answer your questions. I have no formal statement prepared, although I have arranged my ideas in chronological order, and if you prefer to have me go ahead and talk very informally in regard to these matters in a chronological way I will be glad to do so.

The CHAIRMAN. Mr. Burke, when I said preliminary statement, I meant a general statement covering the subject in consecutive order.

Mr. BURKE. Yes.

The CHAIRMAN. For the reason that when we begin to ask you questions we can never tell when we are going to get through.

Mr. BURKE. Yes; and I will be just as brief as I can.

The CHAIRMAN. If you will make the statement which you have in mind to make, it does not make any difference whether it is in writing or not, so far as that is concerned, we will have you conclude that first.

Mr. HAMILTON. Mr. Chairman, might not Mr. Burke preface his statement by giving his full name and occupation?

Mr. BURKE. Edward L. Burke, of Omaha, Nebr.

Mr. HAMILTON. And your occupation?

Mr. BURKE. Farmer. I have been "bucking the tiger," feeding cattle for the last 30 years, which is one branch of farming.

The CHAIRMAN. Now, proceed, Mr. Burke, and make your statement in your own way, and when you have covered the ground that you wish to cover, we can ask you questions.

Mr. BURKE. Gentlemen, I would like to revert to the conditions as they were in 1915 and 1916, in order that you may get a proper perspective of the situation.

Things in the live-stock business, especially as far as feeders were concerned of cattle and sheep, had been going for a number of years

from bad to worse. Cattle feeders had been losing money or making very little for a number of years, and things had gotten at about that time that there was a kind of general sentiment all through the country that something must be done to remedy the situation, and there were, as we thought, at that time a great many unfair practices at the markets, and our idea was that if we could have a conference with the packers and present the situation to them, perhaps we could get their cooperation and get a lot of the abuses remedied. So we took the matter up with the Department of Agriculture. We thought they would probably be the best intermediary in the matter, and Secretary Houston arranged for a conference in Chicago in the fall of 1915. The producers were well represented at that conference, and the Agricultural Department was there, the railroads were there, and everybody was there except the packers—the Hamlet of the play did not appear—and their refusal to cooperate at that time, the matter of indifference on their part to the producers' situation really led to very much more drastic measures later.

The producers became convinced that the packers intended to ignore their demands or their grievances, and the result was that an investigation of the packers was asked and finally obtained through the Federal Trade Commission.

I have some documents here which I would like to pass around, which were presented at the Borland hearings, which show how we considered the situation. I will pass them around so you can glance at them as soon as I can find them. This is the situation as the producers considered it in the fall of 1915.

Mr. ESCH. Mr. Burke, suppose you proceed with some other matter until you can find that.

The CHAIRMAN. Yes; you can find those later and then hand them around.

Mr. BURKE. At the Borland hearing the facts were brought out. The producers were well represented, and the attitude of the packers at that time was one of strong opposition to an investigation by the Federal Trade Commission, and until February, 1917, the efforts of the producers and what help we could get from the consumers were unavailing, but we finally got the investigation ordered by the President in February of 1917.

You gentlemen are quite familiar with the investigation and the report of the commission.

Conditions were very bad in the industry up to the time of the intervention of the war, when the problems of the live-stock industry became part of the great war problems of the country.

The principal thing that happened in the control of the industry was the licensing of the packers. Their profits were loosely controlled under the licensing, and there were various regulations they had to conform to. The Food Administration attempted to stimulate production and to protect the producers as far as they could by the purchases of the Government, and it looked at the start as if it would work out very satisfactorily, both in increasing the production of the country and in giving the producers a fair return. But instead of working out as we had expected it would, conditions early in 1918 turned out very unsatisfactorily for the producers on account of certain restrictions that were put on consumption and the limited outlet through transportation for our exports. A committee

of five was finally appointed by the President in March, 1918, at Mr. Hoover's suggestion, to work out definite national live-stock policies.

This committee of five was a very representative committee, consisting of a member of the Department of Agriculture, a member of the Food Administration, a member of the Department of Labor, a member of the Tariff Commission, and one from the Federal Trade Commission.

They worked out a live-stock policy for the country and they pointed out that very much stricter control of the packers was necessary.

Mr. PARKER of New Jersey. Is that report printed?

Mr. BURKE. Yes; that is printed.

Mr. PARKER of New Jersey. Where is the report to be found?

Mr. BURKE. The report of the committee of five?

Mr. PARKER of New Jersey. Yes.

Mr. BURKE. The committee of five was appointed by the President in March, 1918. If the committee likes, I think I can turn in a copy of that report.

Mr. PARKER of New Jersey. We can obtain a copy of it if it is printed. Was it printed as a document or public document, or what?

Mr. BURKE. I do not know in what shape it was printed.

Mr. PARKER of New Jersey. When was the report made?

Mr. BURKE. It was a report made to the President.

Mr. PARKER of New Jersey. When was it made?

Mr. BURKE. It was made, I should say, in May, 1918.

Mr. WALTER L. FISHER. If you will pardon the interruption, I think it was printed as what they call an official bulletin. I do not know how those things get classified or filed or indexed, but when the committee was through an official statement was printed and circulated giving their findings. Now, whether it was ever printed as a Congressional document or not, I do not know.

The CHAIRMAN. What we are most interested in is just what that report was, so we can find it.

Mr. BURKE. If you would like to know, I will read you the main features of that report, because I have it here.

The CHAIRMAN. If you can, you may state the substance of the report, and then file the report afterwards.

Mr. BURKE. The main feature of the report was that the license system was not working out satisfactorily; that while they did not recommend Government ownership, unless it was proven to be absolutely necessary, they did recommend a very much stricter control of the packers through the license system; that a uniform system of accounting must be put into effect in order to be able to check their business; that there was altogether too much slack and too much margin between the price the producer got and the price the consumer paid; that there was something wrong; and that that matter should be very carefully investigated, and the licensing of the stockyards was recommended as an essential feature.

As a result of that report, both the stockyards and the commission men were afterwards licensed, the licenses not going into effect or getting into operation until September, 1918.

Mr. PARKER of New Jersey. Who issued those licenses?

Mr. BURKE. The Food Administration issues them and they are administered by the Department of Agriculture, and the Department

of Agriculture had just gotten their work organized and had gotten the thing to going in pretty fair shape this fall; and a uniform system of accounting has been put into effect, and the Federal Trade Commission, as I understand, are checking and supervising the bookkeeping of the packers.

These recommendations of the Federal Trade Commission which were made then were of a temporary character and was an emergency measure, and must be regarded as such.

They have worked out fairly well and they have been fairly helpful, but, of course, that is not what the producers were ultimately interested in. We wanted something of a more permanent character; something that would be of a permanent character which, when the war was over, would continue this work and make the regulation and control permanently effective.

Now, the Federal Trade Commission were working along permanent lines, and their report, as you know, came in and was handed to the President early in the summer or late spring, and was made public in August some time, I think.

The Federal Trade Commission brought out the facts in regard to the conditions as they had existed in the industry for a good many years and still exist.

It is the first time the facts in regard to the live-stock business have ever really been before the country, and the facts as shown by the Federal Trade Commission substantiate absolutely the claims that the producers have made; the charges that they made when they asked for the investigation.

I have with me a copy of the statement of the market committee of the American National Live Stock Association made at the time, and it covers the charges pretty well, and I will be very glad to submit a copy of that. (See statement.)

The CHAIRMAN. You can put that in your remarks when you come to revise your statement, wherever you want to put it, so it will be printed as a part of your hearings.

Mr. BURKE. If the committee would like to have that statement of the charges which were made at that time, I will be very glad to submit it.

The CHAIRMAN. It is the foundation of this whole investigation and you can put it in the record.

Mr. BURKE. Part of the foundation of the investigation. At that time the market committee was thoroughly represented. There were three or four men who spoke, and although I did not say so at the beginning of this hearing, Mr. Fisher, Mr. Lasater, and myself are here as representatives of the market committee of the American National Live Stock Association.

We have felt that the remedies proposed or recommended by the Federal Trade Commission were sound; that they merited our support, and the producers, generally, all through the West feel that that is the case. Many producers' organizations have met since then and I think they have all indorsed the report of the Federal Trade Commission and its remedies.

There is a big country out there in the West which is vitally interested in this matter, but on account of their being so disorganized, practically without organization, they do not work effectively. They do not get together and they do not make a very loud noise because

they are so scattered, but there is an undercurrent there of feeling among the producers that something must be done at the termination of this war; that something must be done in the way of legislation to effectively handle the live stock and beef situation, so that it will not lapse back into the deplorable condition that prevailed before the war.

People's memories are pretty short about these things. We have had for the last two years a tremendous inflation in live-stock prices and meats, just the same as we have had in other things, and, as a rule, producers of live stock have made money. There have been violent fluctuations and people have been caught where they did not make any money; but, as a rule, it has been profitable, and people are apt to forget what happened just before the war. They are apt to forget that fundamentally the situation at the market centers is just exactly, or will be just exactly, the same as it was before the war when the food control act expires on the signing of peace, unless something is done.

Now, I would like to file right here a memorial to the President, which the National Live Stock Association sent him in September.

The CHAIRMAN. It can go in the record as a part of your statement.

Mr. BURKE (continuing). In which we indorsed the recommendations of the Federal Trade Commission and gave our reasons for doing so.

Mr. RAYBURN. Who is "we"?

Mr. BURKE. The American National Live Stock Association as represented by the market committee and some of the officers of the association. The American National Live Stock Association is probably the largest live-stock association in the United States and, with its affiliated associations, probably represents a substantial part of the meat-producing power of the country.

A MEMORIAL INDORSING THE REPORT OF THE FEDERAL TRADE COMMISSION ON THE MEAT-PACKING INDUSTRY.

TO THE PRESIDENT OF THE UNITED STATES, TO CONGRESS, AND TO THE FEDERAL TRADE COMMISSION:

The live-stock producers of this Nation, in a spirit of loyal service, wish to give their utmost efforts to assist our Government in winning this war. The most practical service which we believe they can render is to produce an adequate supply of meat animals for the military and civilian needs of ourselves and the allies, and to aid in opening the channels of distribution so as to free the industry completely from practices which have encouraged the growth of monopoly and of special privilege.

The market committee of the American National Live Stock Association was fully conversant with the critical meat situation at home and abroad, and the menace to the food supply of the Nation which existed when the President, on February 7, 1916, directed the Federal Trade Commission to make its investigation; and later, on March 18, 1918, when at the earnest solicitation of Mr. Hoover, he appointed a committee of five capable members of his own official family to determine a "positive national live-stock policy." The extremely unsatisfactory conditions prevailing in the live-stock business fully justified the action of the President in both instances, as well as the action of Congress in appropriating the necessary funds.

After carefully considering the report of the Federal Trade Commission, the American National Live Stock Association, through its market committee, and on behalf of the live-stock producers of the country, desires to convey to the President, to Congress, and to the commission, its deep appreciation of the fearless, convincing, and constructive summary of the report of the commission on the meat-packing industry, and to express its belief that both

producers and consumers should unite in vigorous support on the prompt enactment of appropriate legislation to carry into effect constructive policies and remedies of the character recommended by the commission.

The misrepresentation of these recommendations, which has been given widespread publicity, must not be permitted to mislead either Congress or the people. The commission did not recommend that the packing plants of the five large packers should be taken over by the Government. It did recommend that these packers should be deprived of the means by which they have acquired and maintained their monopolistic control of the live-stock markets, and of meats and a constantly increasing list of other food products. It did recommend that the transportation, terminal, and distribution facilities of the country should be taken out of the hands of the monopolists and be made available on equal terms to open competition.

We have also carefully considered the report of the committee of five, and thoroughly indorse the idea of a positive national live-stock policy. It must be borne in mind, however, that the report of the committee of five is essentially a war measure, while the report of the Federal Trade Commission relates more especially to the permanent conditions that should prevail after the close of hostilities. While we deeply regret that the report of the committee of five did not touch on the great question of production, we especially commend that portion of it which dealt with the necessity for a uniform system of accounting in the packers' industry, the regulation of stockyards and commission men by the Department of Agriculture, the advisability of greater publicity regarding wholesale prices of meats, and the need of an investigation into the conditions of the retail trade; and we strongly urge the early appointment of a commission clothed with ample power to investigate thoroughly this situation and present a definite plan for a simplification of retail distribution which will assure the consumer a wholesome meat supply under a system free from waste and needless expense; and, most important of all, we indorse the need of a revision of the packers' license, being thoroughly convinced that the welfare of the live-stock industry, and the consuming public demands effective regulation of the packers' entire business instead of only a portion.

We therefore respectfully, but earnestly, urge the prompt and favorable consideration by Congress of the remedies recommended by the Federal Trade Commission.

H. A. JASTRO, *Chairman*,
EDWARD L. BURKE,
DWIGHT B. HEARD,
JOSEPH M. CAREY,
HENRY C. WALLACE,
E. C. LASATER,
W. R. STUBBS,

Market Committee.
WALTER L. FISHER,
Counsel.

AMERICAN NATIONAL LIVE STOCK ASSOCIATION,
By I. T. PRYOR, *President*,
T. W. TOMLINSON, *Secretary*.

Adopted at Chicago, September 17, 1918, and issued by office of market committee, 515 Cooper Building, Denver, Colo.

Now, that has been the attitude of the producers generally toward the Federal Trade Commission report.

The attitude of the packers has been quite another matter. In the first place, the chamber of commerce, which is not exactly the mouthpiece of the packers, but I think they represented their opinion pretty well, made a vicious attack on the Federal Trade Commission. Mr. Rush C. Butler, who is the attorney for the—

The CHAIRMAN (interposing). Chamber of Commerce of the United States?

Mr. BURKE. Yes; for the United States Chamber of Commerce prepared the report, and according to his own admission he did not question the facts but he did criticise the form. The real substance of the report he did not, and apparently could not, find any par-

ticular fault with; but the form of the report he did criticize very violently and the newspapers took up the matter and gave a very wrong impression of the report by making it appear that the Federal Trade Commission had recommended Government ownership of the packing houses.

That was very far from true, because Government ownership was not recommended. Various measures, which were not radical, were recommended by the commission, but as I have said the country as a whole got a wrong impression.

The packers were not slow to take advantage of the situation, and they got out their report, in which they, too, did not question the facts, except they denied there was a monopoly, and they did not question much the remedies proposed, except they did object quite strenuously to the fourth remedy, which referred to the taking over of their branch houses and their storage facilities, but the other three things they did not question much. They said they were perfectly willing, under certain circumstances, to agree to that.

MR. HAMILTON. What do you mean by "the other three things"?

MR. BURKE. The first was the taking over of the stock cars and second the refrigerator cars by the Government under certain conditions, and the third was taking over the stockyards and the terminals, and the fourth—

MR. PARKER of New Jersey. Is this assent you speak of in writing?

MR. BURKE. It is the reply of Swift & Co., and Swift & Co. were, I think, speaking for all.

MR. PARKER of New Jersey. We ought to have that.

MR. BURKE. The statement of Swift & Co. I have here.

The CHAIRMAN. We have got that already.

MR. BURKE (continuing). And the fourth was in regard to the cold storage and the branch houses.

Now, while we are on the question of cold storage and branch houses, it would be very easy to accomplish in another way what the commission there recommended. That would simply be for the Government itself to build the cold-storage plants, which would be open to all on equal terms, and if they did that and built them in sufficient quantities, then there would perhaps be no necessity for taking over those facilities of the packers.

Speaking of cold-storage plants, here is a picture and a description of a large plant which it is reported the Government is now erecting in Chicago, a cold-storage plant with a capacity of 60,000,000 pounds.

The CHAIRMAN. Can it go in with your hearing?

MR. BURKE. Yes; I thought perhaps you would like to look at it.

MR. HAMILTON. You say the Government is building a cold-storage plant at Chicago?

MR. BURKE. I am so informed, and it will contain 60,000,000 pounds.

MR. HAMILTON. Just so the committee may be informed, under what authority is the Government proceeding?

MR. BURKE. Under the authority which the Food Administration had, I presume. Would you not think so, Mr. Fisher?

MR. WALTER L. FISHER. I could not answer the question specifically. Perhaps the statement shows.

MR. BURKE. The statement is from the Chicago Economist.

Mr. HAMILTON. What will it cost to furnish that cold storage plant?

Mr. BURKE. I could not tell you that.

Mr. HAMILTON. What is its capacity?

Mr. BURKE. Sixty million pounds. I understand that plant is going ahead. It is being built in what is known as the stockyards district. The Chicago Stockyards Co. sold the ground to the Government, and as I understand they are proposing to build the plant. I talked with Mr. Snyder, the head of the meat division to-day, and he told me it was his understanding that they were going ahead with the plant. Just how far they have gone I do not know; I have tried to find out.

Mr. HAMILTON. Of course, that plant is constructed for the purpose of receiving meats from various sources for storage. How is the Government reimbursed?

Mr. BURKE. I understand the idea of building the plant was so the Government could have a reserve storage for their meat supply. There is at times shortage of cold storage in the country to take care of the surplus supply of meat products.

Mr. HAMILTON. During the war has the Government been engaged in the purchase of meats and the cold storage of meats?

Mr. BURKE. They have been engaged very extensively in the purchase of meats.

Mr. HAMILTON. And the storage of meats?

Mr. BURKE. I do not understand that through their own plants they have. They were just building this plant so they would have additional storage.

Mr. HAMILTON. Now, the purpose of the Government in the construction of this plant was to store the meat purchased by the Government for war purposes?

Mr. BURKE. I understand so.

Mr. HAMILTON. And you do not know what the plant will cost when finished?

Mr. BURKE. No, sir; I do not.

Mr. HAMILTON. And you do not know the direct legislative authority under which it is being constructed?

Mr. BURKE. No; but I think an estimate of what it will cost will be found in this article.

Mr. HAMILTON. I think that article should be referred to at this point and put in the record.

Mr. STEPHENS. I would like to have that put in the record.
(The article referred to follows:)

[Special News Bulletin, the Economist, Chicago, Tuesday, July 30, 1918.]

UNITED STATES OF AMERICA COLD STORAGE WAREHOUSE, \$3,000,000; CENTRAL MANUFACTURING DISTRICT.

THE UNITED STATES GOVERNMENT PURCHASES 154,000 SQUARE FEET OF LAND IN THIRTY-NINTH STREET, BETWEEN HOYNE AND SEELEY AVENUES, UPON WHICH IT WILL CONSTRUCT A COLD-STORAGE PLANT, WITH STORAGE CAPACITY OF 60,000,000 POUNDS OF MEAT, REPRESENTING WITH THE LAND AN AGGREGATE INVESTMENT OF \$3,000,000. H. E. PORONTO NEGOTIATED THE TRANSACTION.

The United States Government has purchased a site in the central manufacturing district and will at once begin the construction of a large cold-storage warehouse, the investment in land and buildings aggregating \$3,000,000.

J. A. Spoor, Arthur G. Leonard, and Eugene V. R. Thayer, trustees of the central manufacturing district, have contracted with the Government to sell a tract of ground on West Thirty-ninth Street, opposite McKinley Park, in the central manufacturing district. The negotiations were in charge of H. E. Poronto, representing the trustees, and legal matters were handled by Frederick C. Hack, of the firm of Winston, Strawn & Shaw. This piece contains 154,000 square feet, having a frontage on Thirty-ninth Street of 308 feet, between Hoyne and Seeley Avenues, and a depth of 500 feet.

Upon the site now purchased the trustees of the district have contracted to erect for the Government a modern cold-storage plant, which, it is said, will be the largest and one of the most attractive in the country. The main building will be of pressed brick, with terra-cotta trim, 223 by 323, six stories and basement high. Connected therewith will be a machinery and ice-plant building, 140 by 140, two stories and basement. A long train shed, in which cars may be iced, and adequate shipping platforms, all under roof, are provided.

The total floor area of the buildings, platforms, and train shed will approximate 570,000 square feet, the cubical contents approximating 8,000,000 cubic feet. The entire main building, except the basement, is to be insulated, and on every floor will be both sharp-freezer and freezer storage space, the sharp-freezer sections largely exceeding the proportion of such space ordinarily required for commercial purposes. Tracks of the Chicago Junction Railway will serve the plant, these tracks having a capacity of over 50 cars at one setting.

The new plant will have a storage capacity at one time in excess of 60,000,000 pounds of meat, and more than that amount can be frozen and shipped each month.

Plans for the building were prepared by S. Scott Joy, district architect, the firm of Henschlon & McLaren acting as engineers for the district for the cold-storage equipment. The E. W. Sproul Co. will handle the general construction part of the work for the trustees.

The total investment in land and plant will exceed \$3,000,000. To protect the Government in making this investment, the district trustees have contracted to purchase the land and buildings back from the Government at the end of the war, at the Government's option, upon a price to be fixed by appraisal. This obligation of the trustees was a most important factor in deciding the Government authorities in favor of a Chicago location for the plant.

This new building will be a notable addition to the remarkable group of industrial buildings which the trustees have erected in this section of the central manufacturing district within the last year. These buildings represent a total investment, including the new cold-storage plant, of over \$10,000,000. The group includes the new Government permanent warehouse just being completed and containing over 1,200,000 square feet; the district freight station and loft building, containing over 800,000 square feet; the Government temporary buildings, containing over 600,000 square feet; the central power station; the central sprinkler tower; and the new cold-storage plant of the White City Cold Storage Co. All of these buildings are heated, sprinkled, and lighted from the central power plant of the trustees and are served by the Junction Railway, which is called upon to handle over 100,000 cars a year from these plants.

It is understood that the new plant will be operated by Col. A. D. Kniskern, United States depot quartermaster at Chicago, whose force already comprises more than 4300 officers and men.

Work on the new plant has already started and will be rushed to completion within six months.

The work of construction will be under the supervision of the Construction Division of the Government, Col. D. H. Sawyer being the general supervising quartermaster, represented in Chicago by Maj. S. L. Nelson, Capt. O. C. Waterman, and S. F. Forbes. The firm of Gardner & Lindberg, of Chicago, will act as consulting engineers for the Government, and Capt. L. R. Phillips, of the Construction Division, has been assigned to the work as expert in connection with the equipment of the building.

MR. PARKER of New Jersey. May I ask a question? This building might be for the Quartermaster's Department of the Army or it might be for the Railroad Administration or for the Food Administration or the Agricultural Department. I am really quite puzzled to know who is doing that building.

Mr. W. L. FISHER. I think you hit it the first time.

Mr. PARKER of New Jersey. The Quartermaster's Department of the Army?

Mr. BURKE. Yes; and \$3,000,000 is the estimated cost of the building.

Mr. PARKER of New Jersey. And it is for the Quartermaster's Department?

Mr. BURKE. Yes.

Mr. HAMILTON. How near completed is it?

Mr. BURKE. I do not know in what stage the construction is, but Mr. Snyder told me that he thought they were going along pretty fast with it.

Mr. HAMILTON. What does the Government expect to do with it after the war?

Mr. BURKE. That, of course, I do not know. I should think the best use the Government could make of it would be to throw it open to the public and allow men who are short of cold storage on meats to use it, renting them space there. For instance, if small packers who have not very much capital should want space for storing meats, they could rent the space there from the Government, and it would be right in line with the recommendations of the Federal Trade Commission.

Mr. HAMILTON. Is that the only cold-storage plant the Government has constructed?

Mr. BURKE. That is the only one I know of.

Mr. WALTER L. FISHER. Mr. Chairman, if you will permit the interruption, I find on glancing at this article to which Mr. Burke refers that it is stated that the total investment in land and plant will exceed \$3,000,000, which answers one question. The capacity is 60,000,000 pounds of meat, and more than that amount can be frozen and shipped each month.

Then, it is stated also that it is understood that the new plant will be operated by Col. A. D. Kniskern, United States depot quartermaster at Chicago, which, I think, probably explains the authority under which it is done.

The CHAIRMAN. Now, proceed with your statement, Mr. Burke.

Mr. BURKE. We were speaking of the remedies proposed by the Federal Trade Commission.

The CHAIRMAN. Do you mean the proposed remedies by the Federal Trade Commission in this bill?

Mr. BURKE. Not in the bill.

The CHAIRMAN. But in the report?

Mr. BURKE. In the summary of their report, and the bill, of course, which came later, was supposed to embody those remedies.

The CHAIRMAN. That is what I wanted to know—whether the bill embodies the remedies which you approve.

Mr. BURKE. The bill embodies the remedies.

The CHAIRMAN. Do you approve the bill or the proposed legislation? The report is not legislation or proposed legislation.

Mr. BURKE. I was going to come a little later to the language of the bill.

The CHAIRMAN. I do not mean the language of the bill but the purposes of the bill.

Mr. BURKE. We approve the purposes of the bill. We are not committed to any particular bill, but what we want is something that will accomplish the fundamental purposes of the bill.

Mr. RAYBURN. That is just exactly the point. I think that Mr. Colver has probably made out a case that this is a pretty sick man, and the question is the prescription you are going to write for him and the medicine you are going to give him, and the only suggested prescription before us is this bill. You may say that this does not mean Government ownership, but I think the average man in reading it would think it means Government ownership of a good many things probably. You can go on probably for weeks and tell about some kind of a bad condition that exists in the packing industry, but what is your remedy for it? That is what we are interested in. Is it this bill or is it something else?

Mr. BURKE. We are for anything which we think will accomplish the fundamental purposes.

Mr. RAYBURN. So am I.

Mr. BURKE. Yes.

Mr. RAYBURN. Do you think this bill will do it?

Mr. BURKE. Yes; I think that bill would do it.

Mr. RAYBURN. Then you indorse the bill.

Mr. BURKE. We indorse the bill unless there is some other bill that comes along and would accomplish the purposes just as well and stand a better chance of being passed.

Mr. SANDERS. Have you got a bill?

Mr. BURKE. Yes; I have a bill here.

Mr. WALTER L. FISHER. He meant have you a different bill from this to suggest.

Mr. SANDERS. You have no bill of your own?

Mr. BURKE. No, sir; we have no bill of our own. We are here to support any bill which there is a possibility of passing and which will, as I say, accomplish the purposes we are after.

Mr. SANDERS. I think we have heard plenty about the conditions, and what we want now is a remedy.

Mr. PARKER of New Jersey. I would like very much to ask one question of fact. Have you a copy of the license issued by the Food Administration?

Mr. BURKE. Yes.

Mr. PARKER of New Jersey. I would like very much to have that go into the record.

Mr. BURKE. This [indicating] is the original license.

Mr. PARKER of New Jersey. The kind of license they issue to the packers?

Mr. BURKE. This is the license issued to them.

Mr. PARKER of New Jersey. Is it the license issued to the packers?

Mr. BURKE. This is the license to the packers.

Mr. HAMILTON. Before you put it in the record can you give the committee an epitome of that license?

Mr. BURKE. I think so.

Mr. HAMILTON. In a few words tell what it does.

Mr. BARKLEY. If the license goes in the record, it speaks for itself.

Mr. HAMILTON. I understand that, but he can condense it in a statement in a few moments.

Mr. BURKE. In the first place the packers are divided into two classes—those who do a business of \$100,000,000, which would include the large packers, the five large packers, and all those who do an annual business of less than 100,000,000.

The CHAIRMAN. One hundred million what?

Mr. BURKE. \$100,000,000.

The CHAIRMAN. I did not know whether you meant pounds or dollars or what.

Mr. BURKE. No; \$100,000,000.

Mr. HAMILTON. What do they propose to do with those capitalized at \$100,000,000?

Mr. BURKE. They propose to regulate their profits.

Mr. HAMILTON. How?

Mr. BURKE. By dividing their business into three classes. The first class is strictly the food end of their business, meats and the edible products. The second class, in a general way, are the by-products; and the third class are such things as their interests in stockyards and feeding cattle, and banks, and transactions on the boards of trade, and things that really are outside of what you might strictly call the packing end of their business.

Under the first class they are limited to 9 per cent profit on their investment.

Mr. SANDERS. On their investment or capital?

Mr. BURKE. Their investment in that branch of the business.

Mr. SANDERS. How is that investment arrived at?

Mr. BURKE. I could not tell you just how they get at the amount invested.

Mr. SANDERS. There is a vast difference between capital and investment.

Mr. BURKE. Yes; sure.

In the second class they are limited to 15 per cent profit, and in the third class they are unrestricted, and, of course, there is the "nigger in the woodpile," the unrestricted class, and it is rather easy through a system of bookkeeping to transfer—I should imagine—the profits from one class to another class. So that the fundamental weakness of the license is that their entire business is not controlled. They control class 1 and class 2, but they do not control class 3, and the temptation to shift profits from class 1 or 2 into class 3, I should imagine, might be pretty great.

Mr. WINSLOW. On what basis do they limit this division of business or the amount of business turnover?

Mr. BURKE. There is no limit to the amount of turnover in each division. They do all they can do, but there is this further restriction in class 1, and that is, they are limited to a 2½ per cent profit on their turnover in class 1 and class 1 only.

Mr. WINSLOW. Regardless of their investment?

Mr. BURKE. Yes; that is a second check. They are entitled to 8 per cent and 15 per cent, respectively, for classes 1 and 2, and then on class 1 there is a second restriction which limits them to 2½ per cent profit on the turnover.

I presume that was put in there because that is the way the packers doing less than \$100,000,000 worth of business are limited.

Their business is handled on a little different basis. They are allowed to make 2½ per cent on their turnover and they also have

a class 3 in which their profits are not limited, and which includes the class of business which I mentioned.

The CHAIRMAN. Let me submit a question to the committee. We are taking a great deal of time here in discussing the license now issued by the Food Administration, which, of course, is temporary and ceases when the war is over. We are trying now to see whether or not we ought to legislate for further permanent control. I can not see how this can be so important as to take up so much of our time when it involves simply a license which is temporary and for the war emergency, and has been issued in accordance with a law already passed.

Mr. HAMILTON. My original question, Mr. Chairman, simply invited the witness to make a short statement for the record so that we could comprehend in a general way what the license was.

Mr. BURKE. I am pleased to have an opportunity to make that statement, because I think it is important that the committee should know that there is that loophole in the license which has made it very unsatisfactory, and which should be remedied in any future licensing in connection with the packers. If you are going to control them, the thing to do is to include their whole business instead of just a part of it.

Mr. HAMILTON. Now, you have reached the point. Does this bill as framed cover the difficulty which you have in mind?

Mr. BURKE. That will depend on the terms of the license.

Mr. SNOOK. There is no limitation in section 3, which is the section which provides for licensing in this bill, as to what the power that issues the license may do.

Mr. BURKE. Not at all.

Mr. SNOOK. They can cover anything they want to cover.

Mr. DOREMUS. Mr. Chairman, may I make this suggestion: If the witness has any information that will throw light on the operation of the license system thus far, it would be interesting, and I think perhaps a benefit to the committee to have it.

Mr. HAMILTON. I think Mr. Doremus is right.

The CHAIRMAN. The licensing system we now have, I understand, is temporary for the war emergency, and the proposition—

Mr. DOREMUS. Whatever previous experience we have gained under this licensing—

Mr. WINSLOW (interposing). That is the point.

Mr. DOREMUS (continuing). As it has so far progressed it ought to be brought to the attention of the committee.

The CHAIRMAN. I understand that, but you did not let me finish my statement. The licenses proposed under this bill are permanent, and what they may contain as to details depends on regulation which, of course, the committee can not undertake to prescribe. We can only prescribe the limits for the regulation.

Mr. PARKER of New Jersey. We want to know what kind of licenses will be proposed, and if the license they do propose includes any of the same provisions in here, it is really very valuable to know what the experience has been, as Mr. Doremus states, and that is a fact, and it is one of the few facts we have got hold of here.

Mr. BURKE. Shall I speak any more about the license, Mr. Chairman?

The CHAIRMAN. Proceed in your own way, Mr. Burke.

Mr. BURKE. If you gentlemen wish to know what the experience has been in the administration of the license, I should say that they have been feeling their way. It is a new game. It is a very large and a very complicated business, and it was not working out at all satisfactorily, because the people who were supposed to check the packers' returns every eight or nine weeks did not have the facilities for checking them. There was no uniform system of accounting, and it was just a great, big, chaotic proposition, but they were doing the best they could.

The committee of five referred to that and recommended this uniform system of accounting, which the Federal Trade Commission has since established, and they are just now getting in a position where they can really do effective checking, and until they can really find out what the packers are doing, they can not very efficiently regulate them. Now, I should say that that would cover the situation in a general way.

So far as limiting their profits is concerned, I venture to say that when we find out what their profits were under the licensing system, we will find that they were just as big as they have ever been. There has been only one concern that has made its annual statement, and that is Cudahy, and Cudahy's profits this year run to about three and a half million dollars.

Mr. ESCH. You mean this last year?

Mr. BURKE. Yes; this past year.

Mr. PARKER, of New Jersey. And that is on a 2½ per cent limit on the turnover?

Mr. BURKE. Yes; limited to class 1, and only to class 1, and unlimited on class 3, and 15 per cent on the investment in class 2.

Mr. PARKER of New Jersey. The 2½ per cent on the turnover applies to class 1?

Mr. BURKE. It applies to class 1; yes.

The CHAIRMAN. When did the license go into effect?

Mr. BURKE. The license went into effect the 1st of November, 1917.

Mr. DOREMUS. Is it a revocable license?

Mr. BURKE. The head of the meat division, I think, has the power to revoke the license if he sees good grounds for it. I think it was left to the head of the meat division.

Mr. DOREMUS. Does the license itself embody conditions, failure to comply with which would authorize the revocation of the license?

Mr. BURKE. I think it does.

Mr. DOREMUS. You are going to put that license in the record?

Mr. BURKE. Yes; I have already turned that in.

Mr. STEPHENS. These defects you refer to, Mr. Burke, in carrying into effect the purposes of the licensing system are really not the fault of the method so much as the fault of the administration?

Mr. BURKE. The trouble was that it is a very large and difficult problem and they were not properly organized for administering the license.

Mr. STEPHENS. The point I wanted to get at—

Mr. BURKE. And the license itself was drawn fundamentally wrong, in my opinion; and in such a way that it invited a shifting of accounts and the changing of profits from one division to another; and anything that invites that kind of manipulation—I do not say it was done, but I say that the license was so drawn that it

invited manipulation of that kind in the accounts, and it was fundamentally wrong in that respect.

Mr. STEPHENS. Your idea is, however, that the licensing system is the correct system to control this situation if properly applied?

Mr. BURKE. I think it is the correct system to control it, without any question.

Mr. STEPHENS. Under proper rules and regulations, accompanied by proper administration facilities, there is no reason why this system should not be effective?

Mr. BURKE. No; none at all. It will be effective and it will grow better and better as the people administering the license grow in experience. We have really made great progress in the manner of handling these big corporations by licensing during the war. We have gained a very valuable experience, and if we have not accomplished all we hoped to accomplish, we have made substantial progress.

Mr. HAMILTON. Now, then, following Mr. Doremus's question and following the answer you have just given, will you state briefly the salient reforms that have been accomplished under the licensing system? I understood you to say a while ago that during the operation of the licensing system you had not been able to draw any deductions, and now I understand that you do state there have been certain reforms brought about.

Mr. BURKE. We have discovered a practical method of regulating a monopoly.

Mr. HAMILTON. All right. Now, the monopoly has been doing certain things that the producers and the consumers have been complaining about.

Mr. BURKE. Right.

Mr. HAMILTON. Now, state in brief, if you can, the large reforms which have been accomplished under this licensing system during its operation of more than a year.

Mr. BURKE. I would consider the reform is the regulation.

Mr. HAMILTON. Well, I want a bill of particulars, if you can give it. That is for the guidance of the committee. You have stated you are in favor of the licensing system.

Mr. BURKE. Yes.

Mr. HAMILTON. Now, what I want to get at, and I think the committee wants to know also, the important things you have accomplished under the licensing system. What have you done for the consumer and what have you done for the producer?

Mr. BURKE. Well, we have stopped profiteering and speculation in food products through the license, and that certainly would be of tremendous benefit to the consumer. We have—

Mr. HAMILTON (interposing). Right there—

The CHAIRMAN (interposing). Let him finish his answer.

Mr. BURKE. We have reestablished the confidence of the producer to some extent in the industry by giving him assurance that this monopoly is under regulation and that inordinate profits would not be permitted, and in that way we have encouraged the producer to go ahead and increase his production. Now, those are the big things that have been accomplished by the license.

Mr. HAMILTON. Now, Mr. Burke, speaking from the standpoint of the consumer, there has not been a time, I think, in the history of this country when the consumer has been so imposed upon as to prices as he has of late, and I think that reaches into the meat business pretty largely.

Mr. BURKE. I think it could have gone higher.

Mr. HAMILTON. I am wondering if you could have gone higher.

Mr. BURKE. I think you could, and unless some form of regulation is continued, I think it will, too.

Mr. HAMILTON. I want to pursue that line of inquiry later, when the chairman is ready to permit me to do so.

Mr. SNOOK. Mr. Burke, in this scheme of control as applied to the meat-packing business, was it limited to limiting the profits or did it extend to, also, the control of unfair practices in the meat industry?

Mr. BURKE. No; it did not refer to the unfair practices.

Mr. SNOOK. Is it confined entirely to a limitation of the profits?

Mr. BURKE. That is practically so, I would think. (To Mr. Fisher:) Mr. Fisher, would you not think that is the case?

Mr. FISHER. I would say it is limited to an attempt to regulate the profits.

Mr. BURKE. I know——

Mr. SNOOK (interposing). Under this proposed bill that we are discussing now, of course any commission that would have control of this license system could extend it, could they not, so as to regulate practices; and therefore it would be something besides the limitation of the profits?

Mr. BURKE. If you can do certain fundamental things—for instance, like the taking away of the stockyards from the packers—then they will not have any chance to practice unfair things in connection with the stockyards. You should furnish the refrigerator cars to competitors of the packers on an equal basis. In other words, if you can control the marketing facilities and the distributing facilities—if you can take that control away from these people—then competition may come back into the business eventually, slowly, of course, but eventually competition may come back, because the field is open. But as long as they own the market facilities and the facilities for distribution and storage, the very things on which the market is controlled, you can not get any competition.

Mr. SNOOK. That is just the thing I was trying to get at. In this control that we have had under the Food Administration they only tried to regulate the profits which the packers were making. That might allow the packers to control the industry; it would not open up the industry to the stock growers at all. Mr. Colver's argument, as I understand it, is that he wants to open up competition so that all the stock growers in the country and all the small packers in the country will have equal opportunity with the large packers.

Mr. BURKE. This license business was just merely an emergency war measure; it was not for the purpose of restoring competition, but merely an instrument——

Mr. SNOOK (interposing). To hold down the price?

Mr. BURKE. To hold down the price—hold down the price and stabilize the market. They wanted to stabilize the market for one thing—to keep prices from going out of sight.

Mr. SNOOK. The control of the Food Administration would not reach the evil that you speak about in this instance?

Mr. BURKE. Not at all. It was not intended to, except just for temporary expedient.

Mr. STEPHENS. Mr. Burke, in connection with the separation of the stockyards, the rolling stock, and other facilities for the marketing and distribution of this product from the packers would not that restore, as you say, competition to a large degree; and if so, would it not also be the most uneconomic method of doing it? Would not some system providing for the creation of a separate corporation to control marketing and distribution under Government regulation be more economical? It seems to me that competition in the packing business is rather an extravagant method of accomplishing the desired end.

Mr. BURKE. Then, granted competition can not be restored in this industry, which has been concentrated into the hands of a small group, then there are only two other things to do, and one is to regulate, the other Government ownership.

My own theory is that by regulating in such a way that competition can come back into the business is the proper solution of the problem. If we can frame legislation that will regulate and eliminate the unfair practices and give the competition a chance to come in, why, eventually, we will reach a point where so much regulation will not be necessary.

For instance, here let me show you gentlemen—you are speaking about competition—a picture of a fine new packing house that is being built right in Omaha to-day; it is under construction there. [Exhibiting picture and advertisement to the committee.] This is a comparatively small concern, but it is a fine modern plant, and if those people have a chance to live and are protected properly by the Government—that is the only protection they can get—until they get strong, we are going to have a measure of competition right there in Omaha.

Mr. SNOOK. In connection with that company there—

Mr. BURKE (interposing). I would just like to leave this with you. This is the Skinner Packing Co., gentlemen. It is a fine plant.

Mr. SNOOK. You can not put the picture in the hearings, but you can put in the statement.

(The advertisement submitted by Mr. Burke is here printed in full, as follows:)

MILLIONS OF DOLLARS HAVE BEEN PAID IN DIVIDENDS TO PEOPLE OWNING STOCK IN PACKING COMPANIES.

If you act at once, this is your opportunity to secure an investment in the 8 per cent guaranteed preferred participating stock of the Skinner Packing Co., Omaha, U. S. A.

At the present selling price of \$100 per share this stock is fully participating in the entire profits of the company and is preferred as to the first 8 per cent.

\$420,000 OF THIS STOCK SUBSCRIBED FOR BY CONSERVATIVE INVESTORS WITHIN ONE WEEK.

(Picture omitted.)

Henschien & McLaren, architects, Chicago, Ill.

Omaha's daylight, snow-white, independent packing company.

This is architect's drawing of Omaha's daylight, snow-white, independent packing plant that the Skinner Packing Co. will erect on its 33-acre tract just south and west of the present Swift plant on the South Side.

Present worth of \$1,000 had it been invested in any of the following companies:

5 years ago in Armour & Co.....	\$32,000
6 years ago in Swift & Co.....	20,000
3 years ago in Morris & Co.....	23,000
6 years ago in Cudahy & Co.....	26,000
10 years ago in Jacob Dold & Co.....	41,000
5 years ago in Union Packing Co.....	21,000
2 years ago in Wilson & Co.....	7,000
4 years ago in Lafayette Packing Co.....	16,000
7 years ago in Western Packing & Produce Co.....	27,500
5 years ago in Erie Packing Co.....	5,000
5 years ago in Kentucky Packing Co.....	7,200
5 years in Fort Worth Packing Co.....	7,750
10 years ago in Armstrong Meat Co.....	16,000
4 years ago in Independent Packing Co.....	12,000
2 years ago in Atlantic Packing Co.....	1,900
3 years ago in Standard Packing Co.....	3,250
15 years ago in Pacific States Packing Co.....	71,500
9 years ago in Green Bay Packing Co.....	18,000

In addition to the above here are a few dividends paid:

	Per cent.		Per cent.
Cudahy Packing Co.....	49	Atlantic Packing Co.....	85
Swift & Co.....	28	Kentucky Packing Co.....	45
Armour & Co.....	100.5	Standard Packing Co.....	105
Morris & Co.....	180	Pacific States Packing Co.....	35
Union Packing Co.....	67	Green Bay Packing Co.....	25

We could show many others who are making enormous profits, were their figures obtainable.

These figures are taken from different current reports that have come to our notice, and to our best knowledge and belief are correct.

THIS COMPANY IS ORGANIZED ON A HIGH-GRADE BASIS—NO PROMOTION STOCK.

The 8 per cent guaranteed preferred participating stock that is now offered, not only calls for the first 8 per cent dividend, but it is fully participating in the entire profits of the company.

The above plant (the first unit of our operation) is designed and equipped to handle a daily killing capacity of 250 cattle, 1,500 hogs, and 500 sheep, and to handle all of our by-products, from raw to finished commercial products. We will manufacture lard, sausage, smoked beef, and animal stock foods from fertilizer and blood, and prepare all casings and bones ready for marketing, and, in addition, will manufacture an extensive line of food specialties, all under the supervision and inspection of the United States Bureau of Animal Industry.

Our cost system and operating end has been estimated by the highest and most efficient authorities in the United States, and while our plans call for an estimated daily killing capacity of 1,500 hogs, we have figured in our operation only 1,000 capacity. Also our estimate is based on only 55 per cent of the average yield of cattle and 78 per cent of the average yield of hogs, and covers only 300 days' run throughout the year. We have a fixed charge in our cost of 6 per cent on \$2,500,000, besides liberal items in cost for depreciation in equipment on plant, machinery, and insurance, etc. Every item is conservative and included in the cost estimate.

The net profit from the operation of this plant (the first unit) is conservatively estimated at \$828,000 per annum, or more than 30 per cent on our entire capital.

(Three pictures omitted.)

PAUL F. SKINNER,

Chairman of the Board of the Skinner Packing Co.; also President of the Skinner Manufacturing Co., the world's largest distributors and manufacturers of macaroni products.

ROBERT GILMORE,

Secretary of the Skinner Packing Co.; also Secretary of the Skinner Manufacturing Co., the World's Largest Distributors and Manufacturers of Macaroni Products.

LLOYD SKINNER,

President and Treasurer of the Skinner Packing Co.; also Vice President and Treasurer of the Skinner Manufacturing Co., the World's Largest Distributors and Manufacturers of Macaroni Products.

Reference: Any bank or business man of Omaha or Council Bluffs.

Skinner Packing Co., Omaha's daylight, snow white, independent packing plant. Financial department, suite 912 First National Bank Building, Omaha. Executive offices, suite 1400 First National Bank Building, Omaha.

Omaha is the world's second largest live-stock market; \$192,000,000 of meat products were packed last year, which represents but 60 per cent of the live stock shipped to this market.

There is a great opening for a packing plant at Omaha operated under the right management and conducted along business lines. The operation by the Skinner Packing Co., Omaha's daylight, snow white, independent packing plant, will retard the transshipment of live stock at this point, which will mean a great economic saving and a better market for shippers and producers.

The operating end of the business will be in charge of an official nationally known in the packing-house industry and with wide and valuable experience.

The Skinner Packing Co. will market its specialty food products through the present nationally organized sales force of the Skinner Manufacturing Co.

Send for further information.

Skinner Packing Co., suite 912 First National Bank Building, Omaha, U. S. A.

I have \$—— to invest and, without obligation on my part, would like to have you send me detailed information on your company. Name ——.

Address ——.

Mr. DOREMUS. That is being built under these bad conditions?

Mr. BURKE. It is being built under these bad conditions, and if competition is nourished and encouraged there is no question but what little plants will spring up, and especially in the western country near the source of supply. There is a question whether the concentration of this business at these few central points is the economic way to handle the business. If a larger proportion of the cattle and the live stock were killed nearer the source of supply, it would undoubtedly be more economical than under the present system. But as long as the present power exists, the little plants can not spring up near the source of supply, as they will be choked by the unfair competition.

Mr. BARKLEY. In the last three years have there been more plants sprung up than sprung down?

Mr. BURKE. The trend is the other way; they are springing down.

Mr. SWEET. There is also the Midway Packing Co. at Sioux City, is there not?

Mr. BURKE. In connection with that very thing, I would like to read a statement made by the National Live Stock Exchange, November 1, 1915. I brought the statement, but I will not trouble to look it up, unless you wish, but the statement was that there were less buyers and less competition on the live-stock markets of the country at that time than there had been at any time in the last 20 years. That was contained in an official statement, issued by the National Live Stock Exchange.

I think that statement was undoubtedly a correct statement of the facts. And right in line with that same thing, in 1905, at the time of the Garfield investigation, his investigation showed that 98 per cent of the slaughtering at the eight leading markets was done by the large packers, and the investigation here, by the Federal Trade Commission, in their report, shows there is still over 95 per cent of the slaughtering done at central points by these large packers. So, the conditions have not materially changed.

Mr. STEPHENS. Mr. Burke, I want to ask you how you think it would operate after you have placed another packing concern in Omaha? Would it not be the natural thing to expect that the packers will drift again into exactly the same relationship, one

company with another, that they were in before this added competitor came along? Is it not reasonable to expect that where you concentrate in a market of 50,000 cattle or 100,000 cattle in a week, where there are five or six buyers, that those buyers will have some sort of an understanding as to the price they are going to pay for those cattle? My own conviction is that the solution does not lie in competition at all. The packers are charged with the dividing of these cattle among themselves. I think it is the sensible and economical thing for them to do, because here are five big plants; they have got to be operated economically, and the cattle ought to be divided up between them; it is the only economical way, in my judgment, it will ever be handled. To glut one plant with cattle and leave another without a supply sufficient to operate constitutes a loss that will be saddled upon the people. The packing business has grown into a natural monopoly, and Government regulation after this proposed bill is enacted seems to me the solution of our trouble—

Mr. BURKE (interposing). What about the owners of the cattle?

Mr. STEPHENS. Why, they are being ruined, of course, absolutely ruined; and I do not believe competition among the packers is ever going to do anything for the producer, because these packers would not be normal and natural if they did not agree on a price. They have it in their power; they are in the yards; competition gone, who is to prevent them from it? They can do it. You never in the world can prevent them from doing it. Why not seek some sort of a method of regulation that will prevent that situation? I do not think you can ever do it with competition, and it will be wasteful and extravagant if you could do it. Assume that you have these five packers in Omaha, or six, when this new concern comes in—

Mr. BURKE (interposing). Wilson & Co. are not there.

Mr. STEPHENS. Well, five, whatever number you have, they will fix the price anyhow, and you can not stop them from doing it. The big fellows will eat up the little ones if they really compete. If they do not agree on price, they can not all stay in business; that is just as natural and logical as anything can be. How could they stay in business if they did not agree on the price? Ultimately, the big fellow will be the only one left, the only one who can stay in the game to the end. If that is true, competition is not the solution of the trouble at all. The solution lies in some other direction.

Mr. BURKE. Your solution, of course, is in regulation?

Mr. STEPHENS. That would seem to me to be the solution of the problem, and, in my judgment, it must go further than regulation as we usually define the term. I believe a national marketing association must be organized, through an act of Congress, that would bear the same relation to the producers, the packers, and consumers as does the Federal Reserve Board to the national banks of the country. Such an influence on the market would discourage speculation and stabilize prices, if it did not actually fix them.

Mr. BURKE. I will go with you just as far as you want to go on regulation. I am for regulation. But I am in hopes—my hopes are not very high—but I am in hopes that eventually, if we regulate them properly, we will get some competition.

Mr. COOPER. Can not we have regulation and competition?

Mr. BURKE. That is just what I hope. And I think the only way that you can get competition now, considering the concentrated condition of the industry, is through regulation.

Mr. PARKER of New Jersey. What kind of regulation? "Regulation" is a very broad word. What regulation would you institute that would have that effect? What would you regulate? Would you regulate the price directly?

Mr. BURKE. I would take away the facilities by which they control the business. That is the first thing I would do. And then I would regulate their profits and their business under a license. The details of that license would have to be worked out very carefully. We have gone quite a long ways already in working out the license and found out where it does not work, and there is no reason why the license system should not be perfected and carried right along so that we could get the benefit of all this experience we have had during the last two years.

Mr. COOPER. May I ask you this question now: Do you believe that under some form of governmental regulation, and with some competition in the packing industry, that that would be of great benefit to the people?

Mr. BURKE. Why, it would be of tremendous benefit to them.

Mr. COOPER. I am glad to hear you say that, for this reason, that there seems to be a tendency just at this time to have our Government take over and control and operate a great many of our industries and do away with competition.

Mr. BURKE. The way to build up individuality in this country is to give it a chance.

Mr. COOPER. Is it not a fact that when competition ceases, that is where monopoly begins?

Mr. BURKE. I should say where monopoly begins competition ceases.

Mr. HAMILTON. Mr. Burke, are you engaged in the stock-raising business?

Mr. BURKE. For the last 30 years; yes, sir.

Mr. HAMILTON. Are you a member of a corporation or an individual grower?

Mr. BURKE. I am a member of a corporation.

Mr. HAMILTON. More than one corporation?

Mr. BURKE. No; just one.

Mr. HAMILTON. What is the name of the corporation?

Mr. BURKE. The Kent & Burke Co.

Mr. HAMILTON. Is that the company referred to on page 14 of the statement of Edward L. Burke?

Mr. BURKE. Yes. That is the brand hearing which you have there, is it?

Mr. HAMILTON. Yes; I suppose so.

Mr. BURKE. In the fall of 1915—I gave a little data there in connection with our business for 15 or 16 years.

Mr. HAMILTON. You refer to the firm of Kent & Burke. Are you the Burke?

Mr. BURKE. I am the Burke in that company.

Mr. HAMILTON. Are you handling food—supplies for stock?

Mr. BURKE. Food supplies?

Mr. HAMILTON. Yes. It refers to a table showing the feeding market and cost of corn to Kent & Burke at Genoa.

Mr. BURKE. Yes. We have an office at Genoa, Nebr., and, of course, we handle the feed that is necessary for the feeding of stock. We are large buyers of corn, bran, and various high-grade feeds besides hay, etc. We also raise a certain percentage of our own feed.

Mr. HAMILTON. That feed is used exclusively in the feeding of this stock?

Mr. BURKE. Yes, sir. I will have to modify that to this extent, that we have two or three elevators where we buy wheat and oats and do some ordinary shipping business, a country elevator business; but that is merely incidental to the main business.

Mr. HAMILTON. How do the prices of your stock sold on the market range during the last year—higher than heretofore?

Mr. BURKE. During the last year?

Mr. HAMILTON. Yes.

Mr. BURKE. Oh, yes; tremendously so. The general plane of prices is higher.

Mr. HAMILTON. Have you made more money out of your cattle than you have ever made before, the last year?

Mr. BURKE. During 1917 and 1918 the business has been more profitable than it ever was before, very much more so.

Mr. WINSLOW. What do you attribute that to?

Mr. BURKE. To the war conditions; the fact that that demand centered on meat-food products.

Mr. HAMILTON. Does the law of supply and demand enter into that?

Mr. BURKE. Yes. The general plane of prices, of course, is controlled by the law of supply and demand. The packers manipulate prices within short periods, but can not control the plane of prices.

Mr. HAMILTON. How large a ranch area or grazing area does your company control?

Mr. BURKE. Well, we have about 13,000 acres in the western part of the State of Nebraska, known as the "Sandhill country," which is strictly a grazing and hay country; and then down in the eastern part of the State, in the corn belt end we have about 8,000 or 9,000 acres of farm lands, which is more agricultural in character.

Mr. HAMILTON. Do you own any grazing lands elsewhere?

Mr. BURKE. No.

Mr. HAMILTON. You have none in Mexico?

Mr. BURKE. No.

Mr. HAMILTON. So that you have some influence as to prices of meat on the hoof yourselves?

Mr. BURKE. Have what?

Mr. HAMILTON. I say, so that you have some influence as to the prices on the hoof yourselves?

Mr. BURKE. We only feed 3,000 cattle, and the influence of 3,000 cattle more or less on the market is so infinitesimal that it would not cut any particular figure.

Mr. HAMILTON. Do you buy cattle, too, besides those you feed?

Mr. BURKE. We very largely buy the cattle we do feed.

Mr. HAMILTON. You buy them and feed them?

Mr. BURKE. We buy them and we feed them. We are not breeders of cattle.

Mr. HAMILTON. Do you buy cattle after they are fed?

Mr. BURKE. Not after they are fattened. We buy what we call "stockers and feeders," and then graze them on our grass and then bring them down from the western part of the State, from our pastures, and feed them concentrated feeds—corn, bran, etc., and then send them to the market.

Mr. HAMILTON. Is it possible, Mr. Burke, for your corporation and other corporations to enter into any kind of an understanding, yourselves, by which you could regulate to some extent the prices which you pay for your cattle?

Mr. BURKE. I think it would be possible. Some of the men who have thought most deeply on this whole problem think that that is the way eventually to work it out, through a system of cooperative marketing.

Mr. HAMILTON. Have you ever tried that?

Mr. BURKE. Oh, no. The producers of the country have never even approximated anything of that kind. I was going to ask you if I could speak along the line you suggested; that is, cooperative marketing. Mr. Henry C. Wallace, of Des Moines, Iowa, who is the publisher of probably as good a farmer paper as there is in the West, is a very strong advocate of the very system which I have suggested. He thinks that the producers never will be able to protect themselves or get justice until they do organize some kind of a cooperative system of marketing, so that they can regulate, in the first place, the number of cattle and hogs that are put on feed and, in the next place, can regulate the marketing of the cattle and hogs. He has it in his mind that that is the real solution of the problem. But I think perhaps his idea is rather a long ways off, possibly not very practical. My own idea is that the first thing to do is to clear up the distributive channels so that we can get a good wide-open and fair market; and as soon as the channels of distribution, instead of being confined to a little narrow neck of a bottle that everything has to pass through, with the packer located right there on that little narrow neck, where you have got to squeeze everything right past him—if we can get a good, wide-open and fair market so that we can get a free movement between the producer and the consumer—the production would pretty well take care of itself.

Mr. HAMILTON. Do you raise hogs, too?

Mr. BURKE. Oh, yes.

Mr. HAMILTON. How many hogs annually.

Mr. BURKE. We feed 3,000 or 4,000 hogs.

Mr. HAMILTON. Three thousand or 4,000 hogs and 3,000 cattle?

Mr. BURKE. Two thousand or 3,000 cattle. A year like this, where the corn crop is short, we have to cut down the number we handle.

Mr. HAMILTON. Do you handle any sheep?

Mr. BURKE. No, sir.

Mr. HAMILTON. You confine your operations exclusively to cattle and hogs?

Mr. BURKE. Yes, sir.

Mr. HAMILTON. In the raising of cattle and hogs you are interested in getting a good price?

Mr. BURKE. Naturally.

Mr. HAMILTON. That is the history of any business, is it not?

Mr. BURKE. We are interested in getting a good outlet for our product.

Mr. HAMILTON. The higher price you can get, of course, the more the meat costs the consumer?

Mr. BURKE. Naturally.

Mr. HAMILTON. Suppose we should eliminate all the packers, would it be impossible for you to rise to such heights of altruism that you would not want to receive what you would consider a very good price for doing business?

Mr. BURKE. I did not catch that.

Mr. HAMILTON. I say, suppose the five packers should be eliminated entirely, and the neck of the bottle should be widened to the full width of the bottle, I presume you would not rise to such heights of altruism that you would not be willing to receive a liberal profit on your business?

Mr. BURKE. When you say "I," I presume you mean the producers as a whole?

Mr. HAMILTON. I mean your corporation and similar corporations.

Mr. BURKE. I presume the producers are human.

Mr. HAMILTON. Exactly. In other words, you would like to divide some of this profit with the packers?

Mr. BURKE. My proposition is this, that if the producer could be assured of a square deal at the markets instead of a monopoly that the producer is perfectly willing to take his chances on the law of supply and demand, if he thought there was no artificial force there to interfere, he would be willing to take a gambler's chance. There is nobody who likes a gambler's chance any better than the meat producer; and there is no business that has been more speculative and more uncertain in its character than the feeding of cattle, hogs, and sheep in this country. The producer is willing to take the gambler's chance, but he wants a "show" for his white alley; he wants his industry on a sound economic basis.

Mr. HAMILTON. Mr. Burke, since the area of public lands has been settled and fenced in to a large extent—and I am asking for information now—has the business of raising and feeding cattle for the market fallen into the hands of the comparatively few large corporations?

Mr. BURKE. No; the opposite has been the case.

Mr. HAMILTON. It is true that the opposite has been the case?

Mr. BURKE. Oh, absolutely. The feeding of cattle and hogs and sheep on a large scale is a thing of the past. Twenty years ago there were many large concerns—Mr. Stephens knows very well of conditions in Nebraska twenty years ago, where there were many companies feeding on a very large scale; and what applies to Nebraska applies to other parts of the western United States. Men failed who tried to feed cattle and hogs on a large scale, especially where they did not have large bodies of land to develop in connection with their business. The small farmer who feeds cattle and hogs as a kind of by-product of his farming business and ranch business is the man who is furnishing nearly all of the supplies to-day.

Mr. HAMILTON. How many large growers or stock raisers belong to your association—how many corporations?

Mr. BURKE. I do not know, but it is a very large association, and the association is very largely composed of men west of the Missouri

River. We do not represent the corn belt to anywhere near the extent that we do the far West—what you might call the “range and sandhill business.”

Mr. MONTAGUE. Are there any blue-grass cattle raisers in your association?

Mr. BURKE. Well, there is a little blue grass in Nebraska and Kansas, but we are not what you might call “a blue-grass association” by any means.

Mr. MONTAGUE. I know, but that is not the question I asked. The question I asked was, Are there any blue-grass cattle raisers who are members of your association?

Mr. BURKE. Oh, yes; a few.

Mr. WINSLOW. Has your percentage of profit been any greater on your investment during the last two years than before?

Mr. BURKE. Is it greater? Oh, very much.

Mr. WINSLOW. Are you in favor of restricted regulation of that business?

Mr. BURKE. Why, I would not object to restrictions on the profits of the cattle feeders whenever public welfare demands it.

Mr. WINSLOW. What would you feel was a fair net return or percentage on your investment?

Mr. BURKE. Under some kind of a guaranty—oh, I should say 10 per cent would be all right.

Mr. WINSLOW. On your capital invested?

Mr. BURKE. I should think 10 per cent. I have never thought particularly about it, but I should think that would be all right. Of course you understand this is a particularly precarious business.

Mr. WINSLOW. I realize that every business is precarious when a man is telling about his own business. [Laughter.]

Mr. BURKE. I should say offhand that 10 per cent would be satisfactory—when I say “we” I mean the producers as a whole—eminently satisfactory.

Mr. WINSLOW. Assuming that that is true of your business, do you happen to know whether or not those who regulated the license returns for the packers had in mind any comparable rate of interest on the capitalization of the packing companies? It is $2\frac{1}{2}$ per cent there and 8 per cent there on the capitalization of those companies. Do you understand that the board which is regulating the license returns have had any definite amount of net profit in mind?

Mr. BURKE. On the capital invested?

Mr. WINSLOW. Yes.

Mr. BURKE. I think they had, because that is the way the license reads—it is on the capital actually invested in their business that their profits are based.

Mr. WINSLOW. We know that $2\frac{1}{2}$ per cent on capital stock invested would be inadequate.

Mr. BURKE. It is $2\frac{1}{2}$ per cent on the turnover.

Mr. WINSLOW. I understand what I am talking about. Give me a minute. I want to get this balanced up here. They have a $2\frac{1}{2}$ per cent on turnover and 8 per cent on something else, and lumping them all together, what is that supposed to represent on the capitalization of those lines of business as owned by the packers?

Mr. BURKE. On the capitalization?

Mr. WINSLOW. Yes.

Mr. BURKE. I could not tell you that—not on the capitalization.

Mr. WINSLOW. That is the only thing you can put it on.

Mr. BURKE. I do not think they tried to figure it out that way. But I think, as a matter of fact, as it works out in practice it is very easy to tell that. You can take Swift & Co., for instance—

Mr. WINSLOW (interposing). I will not bother you with that. I understand what you mean.

Mr. BURKE. But it is very easy.

Mr. WINSLOW. I realize that. I want to get at another point, and I do not want to waste your time. If these license boards were to establish certain rates of return for certain activities in business, you agree, from what you say, I think, they ought to have had in mind net return of those packers on capitalization used in the business.

Mr. BURKE. On the capitalization?

Mr. WINSLOW. Capitalization; that is the only thing you can put it on finally.

Mr. BURKE. But supposing their capital does not represent the real investment, but suppose it is inflated and largely water?

Mr. WINSLOW. It does not make any difference.

Mr. BURKE. Take Wilson & Co., for instance, which was recently organized. The stock, as the new syndicate took it over, sold to them at \$5 a share, something like \$12,000,000 of it, and they turned right around as soon as the bankers and the little syndicate got hold of it, they turned around and sold part of it all the way from \$50 to \$70 a share.

What kind of a return are you going to allow them, on the basis of \$5 a share or on the basis of \$73, which is the market to-day for it, and it was organized two years ago.

Mr. WINSLOW. I would be perfectly willing to swap places with you, but I assumed I was asking the questions and you were giving the answers.

Mr. BURKE. I was trying to illustrate. I was trying to answer your question by asking another question.

Mr. WINSLOW. I myself am a lawyer, and I know that game. [Laughter.] What they sell their stock for has nothing to do with their earning power. That is a stock-market proposition, and if they can conceive it and get away with it, that does not have any effect on what they earn on the capital they put into the business.

Mr. BURKE. If I may answer your question quite simply, as I would undersand it, I should think the return should not be based upon the amount of capital stock; I should think it should be based on the amount of capital actually invested.

Mr. WINSLOW. Well, put it that way, then. What would be the answer?

Mr. BURKE. That is the answer. What is your question, then?

Mr. WINSLOW. I want to find out what this license board has in mind as a proper earning power for the capital invested in this packing business.

Mr. BURKE. I thought I had already covered that ground.

Mr. WINSLOW. Perhaps you have when I was not listening.

Mr. BURKE. They allow them 9 per cent on capital invested in certain branches of the business, 15 per cent on the capital invested in certain other branches of the business, and no restrictions whatever on the capital invested in other lines of business.

Mr. WINSLOW. And $2\frac{1}{2}$ per cent on something else?

Mr. BURKE. Well, it is $2\frac{1}{2}$ per cent on No. 1, which is the branch of business on which they are allowed 9 per cent—that is an extra check—they must not exceed $2\frac{1}{2}$ per cent on the turnover in the case of No. 1.

Mr. WINSLOW. On the turnover?

Mr. BURKE. On the turnover.

Mr. WINSLOW. And that is regardless of what the return is on the capital invested. So they have no basis of rate of return which they have in mind when they established those rates of profit?

Mr. BURKE. Well, you might infer that. I presume they think that they will get 9 per cent. I presume they figure that $2\frac{1}{2}$ per cent on the turnover will probably about correspond to the 9 per cent—I should imagine that is about the way they figure it.

Mr. WINSLOW. Following the question Mr. Stephens asked awhile ago, do you not think that the earnings under these licenses which are now enforced are rather important for the committee to get in mind in order to establish what ought to be done in the way of regulation?

Mr. BURKE. Not particularly. I presume the drawing of the license will be placed by Congress if legislation along those lines is enacted—in the hands of certain administrators, and that they will be given broad discretionary powers in that matter.

Whether Congress should limit those broad discretionary powers by prescribing mile stones or guide posts for the license is for Congress to say.

Mr. WINSLOW. Just one question more. You mean Congress or this committee can not properly bring out a bill on the subject of licensing with much intelligence until we have had at least one example of profits from every corporation operating under it?

Mr. BURKE. I do. I think that the proper administrative officer can be trusted to draw a license that would be fair to the packer.

Mr. WINSLOW. That would leave it in the hands of that man. That is not legislation. That is the way our internal-revenue laws are enacted—according to the views of the collector—and we are kicking about that.

Mr. BURKE. I presume if you get into the details of that it would be pretty hard for Congress to agree on the terms of a license, a large body like that would not be apt to frame a license successfully, I should think, as a much smaller body would.

Mr. WINSLOW. It fixes the tariff schedule, and that is bigger yet—takes in more scope of business and there is more property involved.

Mr. BURKE. I wish to call attention of the committee to the changed attitude of the packer toward both the producer and the consumer.

Back two years ago, when this agitation took form, the packer was determined to ignore the producer. He would not attend the brand conference I have mentioned, and he felt so secure of his position that he thought he could absolutely ignore both the producer and the consumer.

But the investigation of the Federal Trade Commission, after it was once ordered by the President, seemed to bring about a change of heart. Whether it is a real change of heart or not is the question, but there is a very decided change toward conciliation and cooperation. The packer seems now to want to cooperate with both the pro-

ducer and the consumer, and therefore he has entered into a campaign of publicity. For instance, there is the kind of publicity [exhibiting newspaper clipping to the committee] with which the papers have been full, an advertisement of Armour & Co.

Mr. BURKE. In a general way the papers throughout the country have been filled with their advertisements, and they are of this character, all tending to show what wonderful benefactors they are to the country, particularly to the consumers. Here is a place, for instance, where they make a statement that they are paying out in Omaha \$84,000,000 and that they are only taking in from the Omaha territory a return of something like \$4,000,000 or \$5,000,000, the result being that they paid out there close to \$80,000,000 more than they took in, thereby giving the impression that they should have the credit for disbursing all those immense sums of money. As a matter of fact, they ignore the producer, the man who, after years of labor and toil, is shipping this live stock into Omaha, and who furnishes the basis for that \$84,000,000 which they pay out. The packer is simply a middleman, a distributor, and takes in and pays for it what the producer hands him.

Mr. HAMILTON. In that connection, Mr. Burke, I am moved to ask you a question. I remember some two or three years ago that the Bureau of Animal Industry of the Department of Agriculture made an investigation as to the extent of the operations of the packers in Argentina. Do you remember that?

Mr. BURKE. Yes.

Mr. HAMILTON. Do you remember the number of packing houses in Argentina?

Mr. BURKE. No; I do not remember the number. Only I know, in a general way, something about them.

Mr. HAMILTON. My recollection is that there were seven packing houses there, and that certain of the so-called five packers own four of those packing houses in Argentina.

Mr. BURKE. I think that is substantially correct.

Mr. HAMILTON. What has been the effect upon the American market so far as the consumer is concerned by the bringing of this meat supply from Argentina into the United States?

Mr. BURKE. To lower it.

Mr. HAMILTON. Why?

Mr. BURKE. What is the effect on the consumer?

Mr. HAMILTON. What has been the effect upon the consumer? In other words, has he had the benefit of this increased supply?

Mr. BURKE. Surely he has had to a limited extent the benefit, but the fact of it is that there is a very, very small proportion of this supply that has been brought from Argentina.

Mr. HAMILTON. Do you say the consumers have had any lower prices on account of that?

Mr. BURKE. A very small proportion of the meat which has been brought from the Argentine has remained in this country, but it has merely stopped here in transit and been reshipped to England. So that it has not cut a very large figure so far as the consumer is concerned.

The CHAIRMAN. The No. 2 report of the Federal Trade Commission covers that.

Mr. HAMILTON. I have not had the opportunity of minute research in this matter that the chairman has been able to give to it.

The CHAIRMAN. No. 2 report of the Federal Trade Commission gives it all in detail.

Mr. BURKE. I want to go back to this conciliation and cooperation proposition of the packers. Mr. Thomas E. Wilson, president of Wilson & Co.—you might call him the official mouthpiece of the packers—has written a little article here in the annual review of the Chicago Drivers' Journal entitled "The Farmer and Packer Logical Partners." It will give his idea of cooperation and partnership between the farmers and the packers. He says:

The packer can and is very anxious to be of assistance to the live stock producer, and I know that the live stock producer is in a position to be of great help to the packer. Our objective is the same, to prepare food and various by-products for the consuming trade, involving, as it does, a great many angles, all of which must be worked out from the basic raw material, namely, live stock. Cooperation between these two businesses means, first, conservation, and quicker and more effective means of eliminating losses through diseases.

Of course, if you can eliminate the diseases in live stock you can increase production. So that conservation spells increased production.

"Second," he says, "a greater improvement in quality, raising the grades—"

That also means increased production. If you can breed animals that develop faster, you increase production.

"The next of importance," he says, "is greater production."

So, his three points resolve themselves, first, into increased production, and second, into greater production, and third, into still greater production; that is his idea of cooperation. Nothing is said, gentlemen, at all in regard to distribution, which Secretary Houston has very aptly termed the greater part of agriculture; nothing is said about the markets, the control over the distributing facilities.

Mr. HAMILTON. Then, too, the larger the production, the larger would seem to be the profits on each unit of production in transition, that is, in passing through the hands of the packers.

Mr. BURKE. The larger production the more business; the more business it makes for their stockyards; the more business it makes for them to handle. But the producers are perfectly willing to cooperate with the packers and the consumers and everybody connected with the industry if the cooperation can be on the proper basis. But where is boils itself down to a simple cooperation based on increased production, all of which flows right into the lap of the packer, it does look like a one-sided proposition. The producer wants to consider the great problems of production and distribution as parts of one big problem and work them out together instead of putting production over here [illustrating] and distribution over there, and trying to work them out as separate and distinct problems. They are really one big problem and should be worked out together. The packer is perfectly willing to change the deal every once in a while, but every time a new hand is dealt he wants to hold the joker and the right and left bower and the ace. And we call the joker the stockyards; and you can call the right bower the refrigerator cars and the left bower the terminals, and the ace you can call the cold-storage plants.

Mr. STINESS. The consumer is the deuce, is he not? [Laughter.]

Mr. BURKE. No; I think the producer is the deuce and the consumer is the three spot.

Mr. SWEET. The whole people is what you call the whole deck?

Mr. BURKE. I wish this committee to know that the Secretary of Agriculture fully appreciates the urgent need for regulatory legislation at the earliest possible moment, and I wish to quote from his annual report for 1918; as follows:

Closely associated with the supervision of live-stock markets is the problem of a similar authority over the slaughtering, meat-packing, and related interests which are centered at the principal live-stock markets. Under the regulations applied to meat-packing establishments by the Feed Administration, limitations have been placed on profits on meats and by-products handled by these establishments, the installation of uniform accounting systems has progressed with comparative rapidity, and the centralization of control by a small group of packers has been materially checked. The economic welfare of meat production and distribution would be promoted by the continuation and development in some form of the supervision over the packing industry. Such control should be closely coordinated with that over the live-stock markets. There is need, in connection with this supervisory system, of a central office to which packing concerns should be required to report currently in such form and detail that it would be constantly informed concerning their operations. Such an arrangement would afford protection to producers and consumers.

The restoration and maintenance of conditions which will justify confidence in the live-stock markets and meat-packing industry is the greatest single need in the present meat situation in the United States. It seems desirable, therefore, that the necessary legislation be enacted at the earliest possible moment.

Mr. DOREMUS. What are live hogs selling for now in Omaha?

Mr. BURKE. Live hogs are selling there now for between 17 and 17½ cents. The price of live hogs is on an agreed minimum now—a basis of 17½ cents at Chicago.

Mr. DOREMUS. Bacon is selling here in Washington for something like 60, 65, or 70 cents a pound. What do you say as to whether the market price of live hogs justifies a retail price of from 60 to 65 cents per pound for bacon?

Mr. BURKE. Did you say from 60 to 65 cents?

Mr. DOREMUS. It depends, of course, upon the store at which you purchase it; but bacon sold in Washington during the last year at all the way from 60 to 70 cents a pound.

Mr. BURKE. I am free to say I think that is too much margin between the price the producer gets and the price the consumer has to pay; and there is a lot of slack which can and should be taken out. But the retailer comes in there; his problem is a very important one to be considered, as well as the packer. It is a matter that should be very carefully investigated and means taken to eliminate a lot of that slack. A good deal of it could be eliminated through public markets, so the consumer could go to the public markets and do his own marketing with his own basket, and cut out a lot of overhead charges. I should say in a general way that the margin is altogether too much, and that the consumer is partly to blame for it.

Mr. DOREMUS. Well in what way is the consumer to blame?

Mr. BURKE. Because he insists on so much expensive service.

Mr. DOREMUS. He insists on what?

Mr. BURKE. He insists on so much expensive service.

Mr. DOREMUS. I do not know what you mean by that.

Mr. BURKE. I mean that instead of eliminating the delivery and a lot of overhead charges he demands that all that be done for him.

Mr. DOREMUS. In every large city there are such market places, where people can go and buy their meat products. In Detroit they have a number of markets, and the wives of the laboring men go to those markets and buy there. They are not insisting upon any particular form of service when they do that, are they?

Mr. BURKE. They do not pay those prices that you mentioned either, do they?

Mr. DOREMUS. There is not a great deal of difference. They might save the carfare both ways, but what is the advantage of that? Have you ever given any consideration to the question of how we are going to help out these people in the cities by any sort of regulation?

Mr. BURKE. If you could restore the confidence of the producer in his business so he would increase production, that would naturally tend to take care of the consumer. But as long as the producer feels that his business is being throttled at the market, that he is not given a free outlet, he is not going to produce freely, and the conditions are going to be bad for the consumer until you clear up the channels of distribution.

Mr. HAMILTON. Mr. Burke, have you had the audacity within recent days to order bacon at a hotel?

Mr. BURKE. I always order half portions.

Mr. HAMILTON. How much do you have to pay for a half portion—for a rasher? I think a rasher is three slices as big as a postage stamp or thereabouts. What do you have to pay for it?

Mr. BURKE. A half portion is, I think, about 40 cents.

Mr. HAMILTON. Forty cents?

Mr. BURKE. I think so. I believe you get one egg with it if you pay 45 cents.

Mr. HAMILTON. I think it is more than that.

Mr. BURKE. I want to refer in a general way to the need of legislation at this time from a national standpoint. Mr. Hoover has very forcibly called the attention of the country to the situation in Europe and has indicated that the demands on this country for export before the next crop will be something like 20,000,000 tons, that we have that amount, which by proper conservation we can export to feed the needy people in Europe and our Armies. The probabilities are that there will be 2,000,000 tons of that—in about that proportion—of meat supplies that will be exported.

That export of 20,000,000 tons compares with about 12,000,000 tons the last year, right at the full tide of the war, and it compares with an average of about 6,000,000 tons per annum before the war. So you can form some idea of the magnitude of the food supplies which it is proposed to put into Europe before the next crop is raised; and unless some kind of controlling agency is established when the Food Administration goes out it is just as certain there will be chaos and profiteering and speculation in food products as that we are here to-day.

Gentlemen, I think you should consider this whole problem from a national or even an international standpoint. If there are between 300,000,000 and 400,000,000 people in Europe that are more or less dependent on us for food supplies, as Mr. Hoover has stated, it is not only our duty to see that those food supplies are gotten over there, but it is for our best interests. Hunger breeds anarchy, and

anarchy spreads rapidly. That can not be done without some kind of organization and regulation.

The largest handlers of food supplies in the world are the packers themselves. They handle somewhere near 8,000,000 tons of food supplies in the course of the year, and the magnitude of their business as it has been growing is simply appalling. I would like to make a comparative statement to show you how their business has been growing, to give you a little idea of what is happening in this country. I do not think that anyone who has not followed this thing can really have much conception of what the facts are.

I am going back to 1908. At that time the combined working capital of the five large concerns was \$166,000,000. In nine years that capital had amounted to \$400,000,000 invested in their business; \$400,000,000, and nearly all it money that had been piled up from accumulated profits besides paying their regular dividends. The earnings of those five concerns in 1908 were \$17,000,000. The earnings in 1917 were \$80,000,000. The earnings this year, I venture to say—I am just going to make a guess now—will be close to \$100,000,000.

Mr. SNOOK. Gross earnings?

Mr. BURKE. Including the money set aside for the Federal tax. Of course Swift & Co. last year showed earnings of \$34,000,000, but he had a special fund set aside of \$10,000,000, which was supposed to cover taxes, so that his actual earnings, including the Federal tax, were \$44,000,000 for last year.

Now, the only concern that has made a report this year, which is out and published as far as I have seen, is the Cudahy concern, and that concern shows a net return of \$3,300,000, approximately. But I notice they set aside for taxes something like \$2,000,000. Of course, all the rest of us in figuring our profits nowadays include the Federal tax.

I did not quite finish that statement about the volume of business done—the general statement I was making in regard to the packers. The volume of business done by the packers in 1908 was, approximately, \$637,000,000. The volume of business done in 1917 was, approximately, \$2,024,000,000. Swift & Co. alone last year did a business of over \$875,000,000, and I would not be surprised at all if his returns showed a billion dollars this year in business, including the segregated properties.

Wilson & Co., in organizing their new business, decided not to take the name of Wilson Packing Co., and the reason given was that they preferred to have Wilson & Co. so they could handle other outside food products to better advantage. Chairman Colver has gone into detail before this committee, I presume, in regard to the outside food products in which these people are embarking.

In fact, the meat business is just one feature, and if the expansion goes on as they are undoubtedly planning it to go on—they are organizing to go on that way—there is no limit to the volume of business and control in various lines that they will finally assume.

If there is not some kind of control to take the place of the present control, the prospect looks mighty bad for furnishing the food supplies to those starving people in Europe on an economical basis; and the packers, being the very largest dealers in those food supplies,

they are the people with whom that control should start, in my opinion.

I want to say one other thing before I close, and that is a very short statement along this same line. This is a statement that I prepared for a live-stock association, and I will quote about a page of it.

Speaking of the Sims bill:

The President, under the bill, has very wide discretionary powers, but it is altogether improbable that he would have recourse to the sterner provisions of the bill until it had been demonstrated that the milder ones would not suffice. It is proper to impress upon you that the character of the legislation enacted at this time regarding essential food supplies will have far-reaching consequences. It will have a direct bearing upon both production and distribution, and never in the history of the world has it been so important that production and distribution be mobilized to a single purpose, namely, saving the world from famine. Famine means anarchy, and if anarchy spreads over Europe the world will not be safe for democracy, and we and our allies will have sacrificed our blood and treasure in vain.

On the proper distribution of our food supplies until next harvest hangs the fate of millions. The Food Administration is authority for the statement that during this winter between three and four hundred million people in Europe will be more or less dependent on imports for food supplies and that least 20,000,000 tons of our food products for export will be required before next harvest, as against 11,820,000 tons during the last crop year and a yearly average of 6,000,000 tons before the war. The mere statement of the figures is sufficient to show the possibilities of manipulation.

A chaos of speculation and profiteering is more than likely to result if Government control and restraint is withdrawn with the signing of peace. The danger is imminent, as the Food Administration, with whom the control and regulation has rested, automatically goes out of business when peace is signed. It is therefore not only the part of wisdom, it is a stern necessity which demands prompt legislative action applied to the group of men who dominate the food supplies of the country.

The war has taught us how to control speculation and profiteering. It has also taught us how distribution can be successfully accomplished on an immense scale.

The remedies recommended by the Federal Trade Commission, if enacted into law, would make permanent the system which has proved so successful during the war in the distribution of essential food products, especially live stock and the products therefrom. It is inconceivable that we should lose all the ground gained by going back to the old order.

Why should we not improve the quality of governmental administration so that it will perform its functions even more efficiently?

I notice the licensing of the commission men is left out of the bill entirely, and I think it very highly important that the commission men should be kept under license after the war is over.

Mr. BURKE. Any bill that is passed, I think, should include that provision; not only that provision, but it should include the licensing of the stockyards, too, as a permanent feature.

In the past the commission men have arbitrarily set their charges; the producer has had to pay without having any representation, and it is very proper that some third party, like the Department of Agriculture, which is at present administering the licensing of the commission men, should stand as an arbitrator between the producer and the commission men. Otherwise the producer has no representation whatever, and the commission men absolutely dictate the terms on which he shall do business with them.

Unless there is some question, gentlemen, that is all.

The CHAIRMAN. Mr. Burke, we are very much obliged to you for your illuminating statement. Mr. Fisher, will it meet your convenience to begin at 10.30 to-morrow and go ahead?

Mr. FISHER. Yes, sir.

The CHAIRMAN. I will say, then, to the members of the committee and others who may be interested that the committee will hold a session to-morrow, beginning at 10.30 o'clock, and ex-Secretary Fisher will be heard as the first witness. I hope that order will not be changed.

(Thereupon, at 12.50 o'clock p. m., the committee adjourned to meet at 10.30 o'clock a. m. tomorrow, Friday, January 10, 1919.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Friday, January 10, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

**STATEMENT OF HON. WALTER L. FISHER, COUNSEL FOR THE
MARKET COMMITTEE OF THE AMERICAN NATIONAL LIVE
STOCK ASSOCIATION, CORN EXCHANGE BANK BUILDING, CHICAGO, ILL.**

The CHAIRMAN. The committee will please come to order. Mr. Secretary, you will now proceed to make your statement.

Mr. FISHER. Mr. Chairman and gentlemen, I assume that the concern of this committee is with the question as to what remedies, if any, ought to be applied to this situation, rather than the history of the controversy as it has been carried on in the past; at any rate, that is my chief concern.

The CHAIRMAN. I think you are expressing the wishes and desires of the committee.

Mr. FISHER. In order to be constructive in this situation, of course, we can not ignore the past, because before you can treat a disease you have got at least to diagnose the situation and know what it is you are trying to remedy; but that is the only interest I have in past conditions.

Mr. CHAIRMAN. I wish you would state, Mr. Secretary what position you now hold.

Mr. FISHER. My name is Walter L. Fisher; I am a resident of Chicago, and am counsel for the market committee of the American National Live Stock Association.

I have been interested in this matter for a very considerable period—a great many years—but have been actively connected with it only during the past three years.

If you will pardon the personal note, I may say that in practicing law, I have for a very considerable period of time had clients who have been interested in this business in one way or another, and who have come to me for advice in connection with their business and financial affairs, but not particularly with reference to any of these matters concerning their relations with the packers.

During those previous years, prior to the time I came to Washington as a member of the cabinet, a number of these people had urged on me the importance of taking up their marketing situation, on account of the very unsatisfactory conditions that they believed to

prevail, and I had always told them that, in my judgment, there was not any use taking up the matter until they were ready to go at it in earnest and had two things: First, that they had a number of men who were familiar with the business and who were willing to give their time and attention to it, because an outsider would not understand the problem and would not know how to handle it intelligently; and, in the second place, until they had gotten together in some organized form, with sufficient funds and backing, to make it evident they were going to carry the thing through to the end, and that it was not going to be merely one of these flash in the pan performances that blows up after the initial energy has been expended.

Now, conditions had become so very bad in the industry, from the point of view, at least, of the producers, that the American National Live Stock Association appointed a special committee to look into the matter, and that committee recommended the formation of a special standing committee to be known as the market committee, which was given funds by voluntary subscription, and which was composed of a number of men of long experience and of high standing in the business, representing the territory over the entire West; that is to say, extending from Texas on the south to Wyoming on the north. One of the members of that committee is now an honored Member of the United States Senate, Senator John B. Kendrick, elected since his connection with this market committee.

These men were charged with the duty of taking up the problem and seeing if they could not work out something that would be constructive.

It was at that stage that they came again to me and asked me to act as counsel for the committee, and I agreed to do so, and came to Washington, talked with the heads of the various departments of the Government here concerned, such as the Department of Justice, the Department of Agriculture, and the Federal Trade Commission, and tried to find out what they thought was the best way to proceed.

I found a large number of measures pending in Congress. I found resolutions calling on the Department of Justice to prosecute the packers, resolutions calling on the Department of Agriculture to investigate them, resolutions directing the Federal Trade Commission to investigate them, resolutions for a special committee of the House, resolutions for a special committee of the Senate, resolutions for a special joint committee, and all that sort of thing.

Certain of these measures had gotten to the stage where they had been referred to committees and hearings set, and it was the consensus of opinion of everybody here, including the representatives of the Federal departments, that the thing to do was to get in to the hearing which was then pending on a resolution offered by Congressman Borland and use that resolution as the basis for action; that is to say, to get a discussion of the matter along constructive lines, and then modify the resolution so that that would be the result, or that it would be aimed in that direction.

Through the very vigorous opposition of the packers that failed. This opposition not only manifested itself in the hearing, opposition that everybody knew about, and that was going on publicly, but a subsequent investigation of their records and files showed that they were busy trying to defeat the investigation, secretly, by all manner of influence inside the departments. They attempted to sidetrack

it by getting an innocuous investigation over in the Department of Agriculture, which did not have any teeth and could not require the production of books and papers. There is a very great deal of information in the report of the Federal Trade Commission derived directly from the packers' files that shows the extraordinary measures and lengths they went in an attempt to defeat the program as we had tried to work it out then.

The result was, to cut a long story short, that the President took the matter up on his own initiative, and sent a letter to the Federal Trade Commission directing the Federal Trade Commission to proceed with the investigation, and to make an estimate of the probable amount of money they would need, so it could be transmitted to Congress. The result was an appropriation of \$250,000, I think, by Congress, which supplemented the President's instructions to the Federal Trade Commission and resulted in the investigation which has already been called to your attention.

Now, there has been a good deal of criticism of that investigation, and there has been an attempt made, as I see it, to misrepresent the character of the investigation.

The Federal Trade Commission, as I understand it, does not have adversary proceedings in which witnesses are called and the parties to the controversy are permitted to appear by counsel and cross-examined until, at least, the investigation has reached the stage where they are preferred direct charges of specific malpractice or misbehavior; violations of the provisions of the statute with regard to unfair trade practices or things of that kind.

I know that the Federal Trade Commission treated me precisely as it did the packers; that is, treated the producers and the packers precisely alike. Our suggestion that we might be permitted to appear and present evidence, and, perhaps, ask questions of witnesses was treated precisely the same as the packers were treated.

The commission took the position that it was an investigation which they were then conducting and not a trial, and that they would have to follow precisely the practice they have followed in all of their other matters, the general practice established by the commission of refusing to let counsel on either side participate in the inquiry, but to conduct it exclusively by their own representatives.

A very large part of the evidence which they obtained was, of course, obtained by direct reports from the packers, under oath. I think, in most instances, and then an examination of the records themselves; the books for the financial transactions and their files for the correspondence and other evidence.

Now, the producers who had been responsible for the investigation, who had appeared and by their support, at least, contributed to getting the appropriation, and who thought they knew something about the subject from having worked on it for some time, were not allowed to know what the packers were furnishing in the way of evidence. We were not permitted to see the replies they made to the questionnaires of the commission any more than the packers were allowed to examine the documents or other evidence which the commission gathered from other sources.

So that I think that while undoubtedly the investigation did at times boil up to a point where it got to be controversial in the press, the investigation in the main was conducted in entire propriety and

in entire accordance with the long-established precedents and rules of the commission; and the attempt to criticize it because the packers were not allowed to come in and cross-examine would apply to every investigation, so far as I know, which the commission has conducted since it was established. It is not the method established in matters of this kind.

I know that frequently I would have been delighted to have been allowed to ask some very interesting questions of witnesses who were on the stand, and although I sat in the room I was not allowed to participate in the inquiry any more than the packers' counsel were.

Now, the times when it did boil up, I may say, not directly as a participant in them, because I did not get involved in any of those boilings, Mr. Packer was quite as much responsible as Mr. Heney, or any of the others conducting the investigation, because while the hearings were reported in the press during their progress, and thereby led to public comment on the matter, the packers immediately followed up the publication of this material in the press by giving out press statements of their own, and by attempting to influence public opinion and discuss the merits of the proposition in the columns of the newspapers while the inquiry was in progress. The result would be that at the subsequent hearing, the counsel for the commission would revert occasionally to some of these matters that had been raised.

Not only that, but there was the most palpable attempt to influence the public authorities by pressure from influential sources right during the progress of the hearing, emanating entirely from packer sources; and if the matter got to be a little controversial and a little on the publicity side, the responsibility does not rest wholly on the counsel for the commission but is to be shared by both of them.

I am not much interested in those matters. I am not much interested in whether the packers were guilty of criminal offenses. If they were, they ought to be punished and prosecuted by the Department of Justice. What I am interested in is knowing what the real facts are, the fundamental, essential facts, and then what are the remedies that ought to be applied to the situation to cure it.

Now, I think I can say without the slightest danger of any attempt to contradict what I say that long prior to this investigation, confessedly, the packers, the five large packing concerns, were in the process of forming an absolute monopoly of the packing business.

I say this because in connection with the first indictment of the packers for violation of the antitrust laws, their counsel admitted that they were in the habit of meeting through their representatives around the table and agreeing upon a division of territory in the distribution and sale of their product; that they had an elaborate system of checks by which they imposed fines and penalties for any violation of the agreements among themselves; and that they were then, intentionally, in the process of forming a complete combination. In fact, prior to 1902, I think, it can not be successfully controverted—I doubt if it will be attempted—that they were in the process of forming a complete monopoly and combination of the character that was embodied in the Northern Securities plan, and the various other industrial combinations that were then in process of formation throughout the country.

The very latest utterance, of which I have any knowledge, is by Swift & Co., being a pamphlet issued in criticism of the Federal Trade Commission's report, or in reply to it, which says in so many words—I seem to have mislaid it.

Mr. BURKE. Do you want a copy of it?

Mr. FISHER. Yes. On page 16 of this document issued on July 3, 1918, by Swift & Co., I read, as follows:

The fact that the packers once had "beef pools" is not germane. The "beef pools"—that is, the arrangements whereby the quantity of beef that could be shipped by each packer to various large eastern markets—were discontinued in 1902.

Now, while that is an allegation that they were discontinued, it is also an allegation that up to that time they existed. It is an admission on its face of that situation, and while they euphemistically state that "the arrangements whereby the quantity of beef that could be shipped by each packer to various large eastern markets were discontinued," they have omitted very important aspects of the agreement.

It is quite sufficient for the purpose I have in mind to call attention to the fundamental admission that they were confessedly engaged in a combination among themselves, at least, to the extent stated in this document.

Now, what happened in 1902?

The Government having the matter under investigation, and the Garfield report following, and the prosecution in the courts, the decision of the Supreme Court in the Northern Securities case, all put an end to the plan which they then had in mind of forming a combination such as the Standard Oil or any of the other large industrial combinations.

I am not criticizing them. It was supposed by many business men and lawyers that combinations of that kind were not only entirely legal but that they were economically defensible.

As the packers say, reading on from Mr. Swift's statement:

Although public opinion would probably not countenance such arrangements at present, they were undoubtedly of benefit to the public at large in that they helped to avoid recurrent gluts and scarcities in eastern markets, and tended to steady prices.

If we had time, I would like very much to discuss that special plea in defense of the combination, because I do not believe it is justified either in fact or in principle; but we pass it. It was then supposed to be defensible on some grounds.

Now, the Government prosecuted them and they went on the stand. They did not deny the facts. No one can be familiar with the record in the case of the first criminal prosecution by the Government and have any other opinion but that they would have been criminally convicted and sentenced but for the fact that their astute counsel was able to devise the plea of the immunity bath, and by virtue of the fact that the Department or Bureau of Corporations had required them to give evidence, which the President had sent to the Department of Justice, they were able to claim they had been compelled in effect to testify against themselves, and therefore they were entitled to immunity, and the court so held. Not that they were not guilty, not that they had not done the things charged against

them, but having been compelled to prove their own guilt, therefore, they could not be legally prosecuted.

As I say, we all know the swing of public opinion at that time, and the plan of having a great big, huge combination of all the packing interests of the United States was abandoned.

In the meantime, as I understand the facts, and as they are alleged to have been established by the investigation recently of the Federal Trade Commission, and in anticipation of this combination that was in process, each of the larger packing concerns had been buying up their most active and aggressive competitors and not consolidating them at that stage with themselves, but keeping them out so as to put them all into the hopper when they formed the large combination; that is to say, Armour & Co. would buy certain competitors or competing concerns, Swift & Co. would buy others, and each of them had a certain number of these one-time competitors in their ownership.

When the plan of the complete combination was abandoned, for the reasons I have stated, they took these competing concerns which they had not yet consolidated with themselves, and they put them altogether into the National Packing Co., and in the National Packing Co. each of these large concerns held such an interest as was proper in view of the amount they had contributed; that is to say, these one-time competitors by Swift, Armour, and Morris.

Now, as directors of the National Packing Co. these men, or their representatives, sat around the table as directors of the National Packing Co. and discussed the packing situation.

Mr. HAMILTON. When was the National Packing Co. organized?

Mr. BURKE. In 1902.

Mr. FISHER. I can not give you the exact date, Congressman, but about 1902. Of course, they discussed the question as to what it was proper for the National Packing Co. to do, the prices it should pay, the prices it should ask, and the trade methods it should follow.

As was subsequently claimed, these gentlemen sitting around the table, without any sort of combination or confederation among themselves, of course being convinced it was the proper thing to follow certain lines of policy, would not go out and follow any other lines of policy in their own business, not that they had agreed to do it—perish the thought—but that sitting around the table as representatives of these interests, as directors of the National Packing Co., being convinced that certain courses were proper, they went out and followed these same courses in their separate businesses just because those things seemed to them to be wise.

The Federal Government, having looked into the matter, was unable to see the matter in that light, and, aided by various collateral circumstances and evidence showing the real intent and purpose, as was claimed, of this National Packing Co., they charged—that is, the Department of Justice charged—that the National Packing Co. had become a mere substitute for the Veeder pool—for the beef pool—which it was said was discontinued in 1902, and that it was a very convenient method of carrying out the arrangement which had been checked in the process of development.

They had a lot of witnesses in the district attorney's office and before the grand jury, and the result was a second indictment, in which the Government undertook to show that the National Packing Co.

was really the instrumentality by which an unlawful combination was being carried out. Later, as explained by the district attorney, when the trial came on certain of the witnesses on the stand did not testify exactly as they had testified before; and, the technical rules of evidence being applied and the proper presumption of innocence being given to the accused, the result was that difficult thing of convicting criminally a man charged with violation of the Sherman Act, and the result was an acquittal in that criminal case.

I may say, in passing, I believe, with the exception of the National Cash Register officials, I do not think we have ever succeeded in making any progress along criminal lines in the treatment of this subject. Juries do not like to convict men criminally and hold that they intentionally did certain things with a criminal intent when they are dealing with these big economic questions that nobody really, at that time specially thought we had made much progress in solving.

The result was an acquittal in that case, to which the packers are entitled to every benefit.

In the meantime, however, there was the National Packing Co., and the Government either started—I have forgotten whether suit was actually begun or not; if not, it was threatened, and they were notified it would be begun—a civil suit for a dissolution of the National Packing Co., and, like Davy Crockett's coon, those in control of the National Packing Co. said that the Government need not shoot, they would come down. So they came down, and they dissolved the National Packing Co. voluntarily, and they followed the course which the Department of Justice was accepting in all these matters, not of restoring the former competition in the business but of being satisfied with a division of the National Packing Co. into the proportionate fractions or parts that belonged to each of the five large concerns and then passing them back to them. In other words, these competitors that had once been competing with the five large concerns were not reinstated as competitors at all; no new competition was injected into the situation, but the absorption of the competition was acquiesced in, and Armour simply took a fraction of the National Packing Co.'s assets and holdings, and Swift a fraction, and so on.

So they divided it back among the gentlemen who were charged, at least, with having formed it for the purpose of making a combination and controlling the business.

I mention these things not for the purpose of raking up this past controversy. As I said before, if following that, and within the period of the statute of limitations, these gentlemen have been guilty of criminal practices, they ought to be prosecuted, but that is a matter for the Department of Justice. I do not understand that you gentlemen are particularly interested in that.

The Department of Justice, I understand, has taken the evidence, and I am told a number of its ablest men are now in active work on this thing in Chicago, going over the evidence, and preparing to take such steps as they think are proper on the criminal side.

That is not what interests us at all, but it does interest us to know that the situation has been that this industry was in process of being consolidated and monopolized under the control of a combination that would have dominated, and which, as the producers

believe, has continuously dominated it from before 1902 down to the present time.

You may discount the investigation of the Federal Trade Commission all you wish; you may eliminate everything except those records, those letters, that appear upon the files that can not possibly be explained away, and you have got plenty left to conclusively establish that these concerns have been in substantial combination with each other; have been working together, and dividing the business from the time they admit they were doing it down to the present time, and the excuse may be the one that Mr. Swift has put into his pamphlet, or it may be any other excuse, I do not care. The question is, What are we going to do about it? Are we going to permit an industry, as absolutely vital and fundamental to the American Nation, to the people of this country, consumer and producer alike, are we to permit a combination of that kind to continue without imposing upon it any restraints, any regulation of any kind; and if we are not, what are we going to do?

Now, there are but three ways in which it can be treated, and among those three ways we must choose.

We must either undertake to reestablish free competition of a sufficient character to justify us in relying upon the play of competition to protect the public interest; or we must admit the practical combination and impose on it Government regulation in the interest of the public; or the Government itself must take the business over and run it.

I know of no other method by which it can be treated and I have never heard of any other method. You might undertake to combine some of these so that they will not necessarily be each exclusive of the other, but those are the only three ways I know of in which it can be treated.

Up to date we have not succeeded in any industry in the United States that has once been consolidated in restoring free and open competition. We have gotten back some competitive element, but we have not succeeded in a single industry that has once been consolidated. That does not mean we should abandon the attempt as hopeless, but it does mean we should at least remember the fact and bear the fact in mind that up to date we have not been successful, and see whether there are not other precautions that have to be taken.

Now, as to regulation, we have tried regulation in various ways, and we know a little, at least, about the limitations of regulation. We have undertaken to regulate the railroads, with the result that the public is not satisfied and the railroads certainly are eminently dissatisfied; and judging by the morning papers their proposal is that we shall remove various regulatory provisions, so that they may have a freer hand to do certain things that they think are in the public interest.

Let me pause long enough on this question of regulation to discuss for a moment the claim that the packers make that they are now under regulation. I want to get this, if I can, clearly before you. If there is anything that an outsider who is not absolutely on the inside can know anything about, I think I know a little about the attempt to regulate the packers during the past two years.

I came down to Washington repeatedly and had many discussions with Mr. Hoover and his assistants and with the Department of

Agriculture, and with every department down here that is concerned, and while the regulation which has been imposed upon the packers may have had the effect of limiting exploitation to a degree which they otherwise would have far exceeded, when you have said that you have said absolutely everything that can be said for the regulatory measures thus far adopted.

What has been done? The Food Administration has put the packers under license, a very simple document, the efficacy of which depends entirely on the regulations under the license. It embodies an attempt—it was discussed here yesterday by Mr. Burke—to regulate the packers by imposing a limitation on the profits they were to make on two subdivisions of their business excluding a third.

In other words, the proposition has been that on class 1, the direct meat business of the packers—I am not going into the refinements—they were to be permitted to make not 8 per cent, as Mr. Burke has stated, but, as I recall it, 9 per cent, subject to the provision that their profits should not exceed $2\frac{1}{2}$ per cent on the turnovers. On the second class of their business they were permitted to make 15 per cent without the provision as to the turnovers. On the third class of their business they were to be permitted to make anything they could.

Now, I wish to say at the outset—

Mr. HAMILTON (interposing). Will you just state what those classifications are, so we may understand them?

Mr. FISHER. If you want to get them clearly, I would prefer to read them.

Mr. BURKE. The license was turned in yesterday.

Mr. FISHER. I handed the license to one of the members of the committee yesterday.

Mr. BURKE. Mr. Lassiter has one of them. It is correct, as you have stated it.

Mr. FISHER. Yes; but when I am trying to state it accurately, I would like to be accurate; if you want it merely in general it is as I have stated it.

Mr. HAMILTON. You spoke of certain classifications, and I just wanted to understand, in brief, what those classifications are. First, as I understand it, they were allowed 9 per cent on the first classification and $2\frac{1}{2}$ per cent on the turnover.

Mr. FISHER. This is what the license says:

For the purposes of this article the business, investments, income, and profits of licensee shall be divided into three classes as defined below.

In said definitions the term business shall be deemed to include production, slaughtering, manufacturing, preparation, preservation, distribution, transportation, and dealing, and the term live stock shall be deemed to mean cattle, calves, swine, sheep, lambs, goats, and kids.

I call your attention to the statement as to what live stock means, because they have excluded poultry, in which they are extensively dealing; they have excluded eggs; they have excluded butter and cheese; they have excluded fruits; they have excluded fish and vegetables, in all of which they are extensively dealing; and as the Federal Trade Commission has shown during the last year, Armour & Co. or Armour, I do not know just in what form, has become the largest single dealer in rice in the United States. That is not under this regulation here. That is not in the term live stock at all.

The CHAIRMAN. The license does not cover the products you have just mentioned?

Mr. FISHER. No; I will come to that.

Mr. PARKER of New Jersey. I suppose you think that food ought to be the first classification?

Mr. FISHER. I do not care what it is, Congressman.

Mr. PARKER of New Jersey. So it includes everything that has to be used for food by the people?

Mr. FISHER. No; my point would go further than that. I do not care whether it is food or not. When the packer buys the steer he buys the horns and the hoofs and the hide, exactly as he buys the steak and the roast and all the rest of it, and I am not concerned with a definition which permits him to set off to one side and treat differently one class of his products from another class; and I undertake to say that when any one overhead concern or management is handling a business which includes other articles and you superimpose upon it a regulation or license which excludes from your supervision any class of that business, that, by a simple manipulation of the accounts, the profits can be made to show on any class that you choose.

Mr. PARKER of New Jersey. That is as to the second class, his by-products.

Mr. FISHER. That is as to all classes.

Mr. PARKER of New Jersey. I am speaking of poultry, fish, etc., which are not part of the steer at all.

Mr. FISHER. Right, sir.

Mr. PARKER of New Jersey. And I asked you whether the first class ought not, therefore, to have included all articles of food.

Mr. FISHER. Very well. Now, as I got your point, I would say that certainly it ought to include every article of food, but it also ought to include articles which are not foods but are dealt in by the same organization.

Mr. PARKER of New Jersey. Whether they are by-products or not?

Mr. FISHER. Certainly, I am now talking. Mr. Congressman, on the proposition not of any direct interest which the producer of live stock has in relation to poultry and eggs or anything that is not derived from his live stock; but I am now addressing myself to the question of the efficacy of the license imposed on the man who is conducting the business.

Now, the license says:

(1) Class 1 shall include:

(a) The slaughtering of live stock.

(b) Business in meats derived from slaughtered live stock.

(c) Business in any other food product in which the value of materials derived from slaughtered live stock constitutes one-fourth or more of the total value of materials.

Note that language: "Business in any other food product in which the value of materials derived from slaughtered live stock constitutes one-fourth or more of the total value of materials."

If the materials derived from live stock, the very steer which has been bought from the producer, does not constitute one-fourth in the article or product, it is ignored.

(d) Business in inedible by-products of slaughtered live stock which have not been elaborated beyond the stage or condition in which it is common for concerns in the slaughtering and meat-packing industry to sell such by-products in

large quantities to persons or concerns not engaged in that industry, including specifically among others business in hides, wool and goat hair, whether derived from slaughtering live stock or otherwise.

(e) Business in ice and refrigeration.

(f) The operation of refrigerator cars and other railroad cars used primarily for transporting products of class 1.

(g) Any other business incidental to business of class 1.

Now, that is class 1.

(2) Class 2 shall include:

(a) Business in any products which contain no material derived from slaughtered live stock or only insignificant quantities of such material.

(b) Business in any food product in which less than one-fourth of the value of materials consists of the value of materials derived from slaughtered live stock.

(c) Business in inedible by-products of slaughtered live stock beyond the stage or condition specified in paragraph 1, clause d, including specifically among others business in soaps and other cleansing materials, glue, gelatin, glycerine, ammonia, sandpaper, curled hair, gut string, pharmaceutical preparations, leather, commercial fertilizer, products made by the cutting, shaping, or polishing of horn or bone, and products in which the products listed in this clause constitute the principal materials.

(d) Business in packages, labels, and advertising material for use in connection with business falling under class 1 or class 2.

(e) The operation of cars used primarily for transporting products of class 2.

(f) Any business not specifically falling in class 1 or class 3.

Now, that is the end of class 2.

(3) Class 3 shall include:

(a) The raising, feeding, and fattening of live stock.

That is to say, the business in which some of them are at times especially and extensively engaged of buying the live stock, hogs or cattle, and feeding them on the outside and then bringing them in and slaughtering them when, in their judgment, it is proper to do so, either because they do really lack the animals or because it helps them to control the market, so they do not have to buy them at what they regard as higher prices than they wish to pay.

(b) The slaughtering of live stock and the manufacture of any product in any foreign country, but the sale in any foreign country of products manufactured in the United States shall not be deemed to fall under class 3.

(c) The operation of stockyards or of banks or of loan agencies or institutions.

(d) Dealing in options or future contracts on any board of trade or exchange.

A very important branch of the business, because there are at least large possibilities of converting the profits which might otherwise arise from the direct handling of the product into profits from transactions on general lines of products on the board of trade, and certainly the one very materially influences the other.

The CHAIRMAN. And there is no limitation of profit on that class.

Mr. FISHER. None whatever.

(e) Any business which has nothing to do directly with food or with products of slaughtering live stock, or with any of the products or business falling under classes 1 and 2, or which does not make use of the distribution and transportation facilities of class 1.

(f) Investments in and income from any corporation or concern specified in section 6, unless otherwise directed by the chief of the meat division.

That is to say, that excludes the subsidiary corporations, speaking generally.

(g) Any business which may hereafter be withdrawn from class 2 by authority of the chief of the meat division.

(d) The chief of the meat division will, from time to time, determine any question which may arise as to the proper classification of any given business not explicitly described in this section.

Now, to turn to section 3 of the license:

Sec. 3. *Ratio of profit to investment.*—Licensee shall so conduct his business that the annual profit of business of class 1 shall not exceed 9 per cent of the investment therein, as hereinafter defined, and that the annual profit of business of class 2 shall not exceed 15 per cent of the investment therein, as hereinafter defined; no limitation being placed upon the profit on business of class 3: *Provided, however,* That in no case shall the profit on business of class 1 exceed the limitation based on sales provided for packing concerns having sales of less than \$100,000,000 per year.

That limitation is on the turnover.

The limitation of profit in the one class of business is independent of the limitation of profit in the other, and no deficiency in the profit of business of one class shall be made up by so conducting the other as to obtain an excess of profit above the limitation specified.

Which, of course, works the other way around; that is to say, having a deficit in class 1, although you may have made an excess profit in class 2, you can not apply the excess of class 2 to make up the deficit in class 1.

How under this interesting license—

Mr. HAMILTON. May I see that license, Mr. Fisher?

The CHAIRMAN. Were you through discussing the license?

Mr. FISHER. I was through so far as undertaking to answer the Congressman's question in the very language of the license itself as to what the classification was, and then what the limitations of profits were.

The CHAIRMAN. I did not know whether you would want to continue reading from it.

Mr. FISHER. No; I think not at present, Mr. Chairman; thank you.

This license was put into effect by the Food Administration, confessedly—I speak with full knowledge—as being a temporary expedient or beginning, going as far as the Food Administration then felt they were justified in going, but with the direct statement and intention of modifying it as experience showed might be desirable.

In the meantime the Food Administration attempted to build up a collateral organization among the producers. Mr. Hoover and Secretary Houston, of the Department of Agriculture, invited to Washington a large number of representative producers from all over the country, and out of it worked an advisory committee which was supposed to be in contact with the Food Administration from the producers' point of view, and to work with it and make suggestions and stand as a sort of guaranty or assurance to the producers that their interests were being protected, or at least the attempt was being made to protect them in good faith.

When this license went into effect it was expressly understood—in fact, it was made a condition of this advisory committee of the producers taking any part in the matter at all—that they should have access to the reports to be made under this license, and an opportunity to examine the books of the packers so as to see whether the reports were justified by the record, the purpose being and the limitation being that they were not to make public the details of what they ascertained by examination of these documents, but that they might be

in a position to satisfy themselves, as the representatives of the producers, as to the facts in the operation of the license, and that they would not be merely a false front put up to create the impression on the producer that his interests were being protected, when, as a matter of fact, they did not know whether they were being protected or not.

So it was expressly understood, by questions asked and answered categorically, that the producers were to have opportunity to examine the reports to be made and the books of the packers for the purpose of making suggestions to the Food Administration as to how it ought to be changed, if at all, and for the purpose of assuring the producers that the license was being carried out in good faith and effectively, so they could depend upon their interests being protected, at least, to that extent.

Now, there were to be reports made every so many week. I have forgotten whether that is in the license or in the regulations under the license, but it was about every nine or ten weeks, as I remember it.

Here it is in the license, section 10:

Profits by periods.—Licensee shall close his books and determine his investment, sales, and profits at least as often as once in 10 weeks, and at least six times per year, and if licensee has heretofore closed his books at more frequent intervals he shall continue to do so; the interval between such closing time of the books shall be called an accounting period.

The ratio of profits to investment specified in section 3 need not necessarily be maintained with respect to each separate accounting period, but licensee shall endeavor to maintain as nearly uniform profits as practicable, and licensee shall so conduct his business that the profits of the first half of the 12-month period ending on or about November 1 of each year shall not exceed the said limitation by more than one-third and that the profit for the entire 12-month period ending at said date shall not exceed said limitation.

Perhaps you would like to have that explained. The packers have been in the habit of having a sort of trial balance or general closing of their books at these periods, so they could keep a kind of check on the business themselves. Some of them took shorter periods, and the Food Administration provided that they should continue that, recognizing the fact, which is a fact, that the packers, like everybody else, like any monopoly that ever existed in the world, I do not care how complete, are all under the general operations of the law of supply and demand. They can not slaughter more cattle than the supply and they can not sell more than the people will buy; and that same limitation, as I have said, applies to every monopoly that ever existed, but it does not prevent a monopoly from playing underneath the law of supply and demand in making profits far beyond those that are economically justified, and in affecting production injuriously to a very serious degree.

Now, they said that of course in selling, especially fresh meats, they might find that in moving their products their profits for a 10-week period might be above the 9 per cent, let us say; and they were not to put an arbitrary of 9 per cent, because the next period it might be they bought meats in excess of the demand and they might have a loss; in order to keep the stuff moving, they might have to sacrifice it, so that in any one of these periods they were to come as near as they could, keeping within the general limitation. They were permitted to make as much as 12 per cent instead of 9 per cent in any 10-week period; but during the next period, or within every 6-month

period, they must undertake to bring those excess profits down by making less than 9 per cent, and then within the whole calendar year they were to get within the 9 per cent and the 15 per cent provided for classes 1 and 2, respectively; an arrangement which I never was able to understand how it was going to work out practically, because I was never able to see how at the end of the 12-month period they were not going to be in the position of having an excess or a deficit carried over into the next year. It is an endless chain, as I see it; but it was said to be the best practicable device that could be worked out, and its defects were admitted, and the Food Administration went at its enforcement.

At the end of the first period the reports were made, and to the astonishment of everybody we were informed that the books of the large packers showed the figures all in the red; they were not making any profit, or at least no profit up to the amount allowed under the license. The small packers were making profits, some of them in excess of the amount they were allowed, but the big packers were not making any.

We undertook to get copies of the reports for the first accounting period. We were told that the Food Administration was satisfied these reports needed investigation, and preferred not to turn them over until it had an opportunity to inspect them.

This licensing provision went into effect November 1, 1917. We have not seen any reports for any period yet, and as far as I know, no report for any period has ever been made public.

Mr. HAMILTON. Why?

Mr. FISHER. I do not think that the Federal authorities were satisfied at any time that any one of them was reliable; in fact, they were so questionable that the department, I think, felt that there was danger of a two-edged sword in it, on the one hand, not only discrediting the figures, if the facts did not justify the report, but, on the other hand, discrediting the efficiency of the regulation.

Mr. PARKER of New Jersey. Is there any reason why you should not have the report if it was desired you should have it?

Mr. FISHER. I never thought there was an adequate reason, sir. It was the only—

Mr. PARKER of New Jersey (interposing). Publicity is the greatest corrective of all such matters?

Mr. FISHER. I have always thought so.

Mr. WINSLOW. Which one is being protected, the Trade Commission or the packers?

Mr. FISHER. It all depends. Obviously the packers are being protected. I do not mean to say, understand me—I do not know what the investigation of these accounts would disclose, and maybe the packers could make good on it, but of course I did not have the opportunity to check it; nor do I mean to say that if they were investigated that we would find that there was something so ineffective in the licensing that it would in any way reflect on the Federal authorities, the Food Administration, or anybody else, because I do not know.

Mr. WINSLOW. Have you any reason to think that the packers have not made their returns?

Mr. FISHER. Well, you put your question in a form that makes it a little difficult for me to answer, "Do I have any reason to think that the packers have made their returns?"

Mr. WINSLOW. Put it in your own way.

Mr. FISHER. If you ask me if I do think—oh, certainly, I do think that the accounts are not correct.

Mr. WINSLOW. Do you think they have not been returned?

Mr. FISHER. Oh, you mean they have not made the returns at all?

Mr. WINSLOW. Yes.

Mr. FISHER. Oh, no; I think they made their returns.

Mr. WINSLOW. Has the commission ever made those returns public?

Mr. FISHER. They have not.

Mr. WINSLOW. They have had a year to do so.

Mr. FISHER. It is not the Federal Trade Commission's business; it is the business of the Food Administration. The Federal Trade Commission has not anything to do with this.

Mr. WINSLOW. Has the Food Administration ever made those returns public?

Mr. FISHER. They have not made them public; no.

Mr. WINSLOW. How long have they had them in their hands?

Mr. FISHER. I do not know; I am not on the inside; but I understand they have had them in their hands for every one of these 10-week periods.

Mr. PARKER of New Jersey. Have they been asked for by the Federal Trade Commission in their investigations?

Mr. FISHER. You will have to ask the Federal Trade Commission.

Mr. PARKER of New Jersey. Have the Federal Trade Commission in their hearings demanded those of the Food Administration?

Mr. FISHER. I could not say. Understand, Mr. Congressman, that the Federal Trade Commission's hearings were only a small part of their investigation.

Mr. PARKER of New Jersey. You do not know whether they demanded them or not?

Mr. FISHER. I do not know.

Mr. HAMILTON. Would not these reports be illuminating and valuable?

Mr. FISHER. I have always thought so. But, now, let us go on with the history of it.

The CHAIRMAN. We have the right to call for them.

Mr. FISHER. The next thing is this: Of course, a licensing scheme that is limited to control of profits depends, obviously and chiefly, upon the effectiveness with which the checking is done.

Mr. SNOOK. May I ask you a question, Mr. Fisher?

Mr. FISHER. Certainly.

Mr. SNOOK. Was this regulation applied under this license limited entirely to control of the profits, or did they extend further?

Mr. FISHER. I think there are some general rules that were put in.

Mr. SNOOK. Was there anything substantial in addition?

Mr. FISHER. No, sir.

Mr. SNOOK. This was the only substantial limitation?

Mr. FISHER. Yes, sir; that is all the Food Administration regarded as primarily its concern.

Mr. WINSLOW. Let me ask you one question, and you may not like to answer it, but I would like to have your answer, if you will: To whom did you understand the Food Administration is responsible to make their reports?

Mr. FISHER. Of course, I understand the Food Administrator is the direct agent of the President. I understand that the Food Administrator is appointed directly by the President, and there is not any intermediary; in fact, I understand that is the condition upon which Mr. Hoover agreed to be appointed to the place; he declined to be an Assistant Secretary of Agriculture and to have any responsibility except directly to the President.

Mr. WINSLOW. Then, he has no responsibility to the Congress?

Mr. FISHER. Congress created the legislation under which the Food Administration exists and Congress passed the food administration law.

The CHAIRMAN. And provided all the authority.

Mr. STEPHENS. Congress could ask for that report if it saw fit?

Mr. FISHER. I should say so. If you are interested in this phase of the subject—I am only here to help you gentlemen in trying to work out something constructive—let us follow this a little; and it is interesting for this reason, that when the suggestion is made that the packers ought to be licensed, Mr. Swift, in this publication, and the packers in public advertisements throughout the newspapers of the country, answer, "Why, we are under regulation now."

Mr. DEWALT. Let me ask you a question, if it will not interrupt you at all: Is there any statutory provision, to your knowledge, providing for a penalty for making false returns in certain cases?

Mr. FISHER. I can not answer that. I think there is probably a greater penalty than any fine, because there is the penalty that the license can be revoked. These gentlemen could have their business discontinued, as other licensees have during the war been closed up by the mere revocation of their license.

Mr. STEPHENS. You suggested, Mr. Fisher, the method whereby there would be no criminality in the transfer of the profits from one branch of the business to the other. I presume that could be done in a manner where there would no criminal proceedings lie at all?

Mr. FISHER. Oh, certainly. Or let me go further than that, because, after all, I am not interested in all these charges, which not infrequently crop into things of this sort. Let us suppose there is nothing but honest difference of opinion, or at any rate that that is the claim, and that it is impossible to prove the contrary, namely, that the packer thinks he ought to charge up certain arbitrary parts of cost of production to hides instead of to hoofs or horns or beef, how are you going to check it? Or that it ought to go over into some of these by-products? Now, if with the same general organization they are handling poultry, eggs, butter, cheese, fish, rice, and the Lord knows what all, and that they say that a certain amount of the expense is to be allocated to a particular branch of the business, why, it could either be done with the intention of diminishing profits or it might be done simply because they see the thing in line with their financial interests and without any direct intention of doing anything that might be called improper in itself. It is the kind of discretion you can not very safely put into the hands of a man whose financial interests are involved.

Mr. HAMILTON. Your statement there suggests an inquiry, Mr. Fisher. Who is there on the Food Administration who has sufficient expert knowledge to check up with any sort of accuracy figures relating to this intricate subject?

Mr. FISHER. Well, sir, there are various men who have been connected with the Food Administration, some of whom I think are still there, who were taken out of the principal departments of the packers' own business, and whose salaries were continued to be paid by the packers themselves up to the time that public attention was directly called to it in these hearings—they certainly know enough about it.

Mr. HAMILTON. They are men out of the principal departments of the packers' own business?

Mr. FISHER. Oh, surely.

Mr. HAMILTON. Then they would be competent to check up as to certain details?

Mr. FISHER. Oh, beyond all question.

Mr. HAMILTON. That would be largely a checking system controlled by the party being investigated?

Mr. FISHER. Well, let us be entirely fair about it. Of course the Food Administration was built up in a hurry and had to use the instruments that were available. I am not disposed to be critical about it, except I do feel this, that when men were carried on the rolls on the theory that they were only getting a dollar a year I do not think it was very nice to discover, in the course of an investigation and not by voluntary information, that they were being carried on the packers' pay rolls at the same old salary that they had always been paid.

Mr. DEWALT. Can you mention any concrete instances of that?

Mr. PARKER of New Jersey. This question I would like to ask you now: Is there anything in the suggestion that has been made in the prints as to the great shortage or expected shortage of food during the next year in view of the claims of the various nations which might prevent the Food Administration wishing to publish its accounts with reference to the amount of food available?

Mr. FISHER. I could not answer that question in the form in which you ask it for this reason: It involves two elements; first, I am absolutely convinced that there is going to be a very serious shortage of food—there is now—considering the world demands; not only that, Mr. Congressman, but I believe there is going to be a shortage of food for our own needs. I do not mean we can not get along and have food that will keep us in fairly good condition; but the people of the United States, if ever any people in the world are entitled to have an abundant supply of wholesome food, it ought to be here in superabundance.

Mr. PARKER of New Jersey. I asked whether that fact would be any reason for the Food Administration being unwilling to publish these accounts which tells so much of the details of the amount of food.

Mr. FISHER. I do not think there is anything of that kind, and yet there may be.

Mr. PARKER of New Jersey. The totals of the food supply are published in the newspapers, are they not?

Mr. FISHER. Oh, certainly; and the Department of Agriculture publishes periodically reports on the subject, and I do not think there is anything to be concealed. But if there was, and if that is so, I would concur in the propriety of not publishing it.

Mr. PARKER of New Jersey. But you do not think it is so?

Mr. FISHER. I do not think it is so. But, let us suppose it is so. That has absolutely no application to a situation where—you are not discussing whether they shall publish it in the newspapers generally, but to a group of crop specialists who are supposed to be in touch with the thing so that they can say to the producers: "Your interests are being looked after;" there is no reason under Heaven why they should not be given that information.

Mr. HAMILTON. Have these dollar-a-year gentlemen been separated from the Food Administration?

Mr. FISHER. I can not tell you that. I think some of them resigned as a result of the publicity and the criticism, and I have no doubt among those who resigned were men who were absolutely sincere in their devotion to the public interest, but they realized for the first time the inconsistency of the position that they had perhaps inadvertently been led into.

Mr. HAMILTON. But some of them have continued in the service?

Mr. FISHER. They were the last time I heard of it.

Mr. DOREMUS. You mean men who are on the packers' pay rolls?

Mr. HAMILTON. That is what Mr. Fisher means, and that is what he says.

Mr. FISHER. I think that is so with respect to some individuals. Mr. Colver can answer that better than I.

Mr. COLVER. I can not answer that.

Mr. FISHER. Understand me, that—

Mr. HAMILTON (interposing). I want to go one step further, and then I will stop on this line. You stated that these were facts that were ascertained?

Mr. FISHER. Yes.

Mr. HAMILTON. Are you able to lay your finger on the documents that will enable us to ascertain who these dollar-a-year men are?

Mr. FISHER. When the Federal Trade Commission was making its investigation the matter was brought out in public hearings. I remember one set of public hearings that happened to be going on in Chicago, so I know about it, as Chicago happens to be where I live, and the statement was made that certain of these men who had been there, who were on the pay roll, had either withdrawn from the Food Administration or had withdrawn from the packers, so that they were no longer being paid by them. Mr. Heney produced by subpoena from the packers or by the use of the examiners under his direction the facts showing to what date their salaries had been paid, and in some instances they had been paid in advance of the hearing. But I do not know, and I think it would be unfair for any impression to be created by anybody that there is a single one of those men who has continued in the employ of the Food Administration since in any dual relation, who is still obtaining any compensation from the packers.

The CHAIRMAN. All that was developed by the Federal Trade Commission's investigation appears in the report of that commission, does it not?

Mr. FISHER. Yes and no. The Trade Commission has issued a summary, which you doubtless have seen. It has now issued a second volume which discusses certain aspects of this matter, and I understand that is to be followed by subsequent reports. I do not know that they intend to print the entire evidence that they collected, as I should think that would be perhaps too voluminous. But the substance of it, I understand, is in process of publication, so that it either does appear or will appear when they get through with their publication.

The CHAIRMAN. It is available and there is no attempt to conceal it?

Mr. FISHER. Yes. Let me hasten along. These questions are all interesting, but we get off into unimportant side lines.

Mr. HAMILTON. You were giving us some very important information.

Mr. FISHER. Anything I have which you think is important is yours.

To revert to the license. As I understand the facts, and as I started to say, any license of this character depends entirely for its efficacy upon the ability and care with which it is checked. It is largely an accounting proposition, and the Food Administration did not have any force of accountants that were adequate to attempt this checking, and they frankly admitted it, and they tried to get the Federal Trade Commission to do the checking. Well, the Federal Trade Commission, as I understand it, did not entirely agree with the form of the license, were in fact convinced that the license was not going to operate effectively, and for a time they felt that to get themselves into the position of doing the checking, if it finally developed in the course of time, that the thing was not working satisfactorily that the public might be misled into believing that that was due to the ineffectiveness of the checking, when, as a matter of fact, it might be due to the ineffectiveness of the license, and they rather were shy of undertaking this thing. But later, at the direct suggestion, as I understand, of the President, the Federal Trade Commission did undertake to check.

You can not tell the value of the information that you think reaches you from original, inside sources, and I do not attach any undue importance, I hope, to that which reaches me. But it will perhaps at least serve as a suggestion to you. I think it was discovered by the checking which the Federal Trade Commission's accountants made that the packers could have complied with every regulation in the license and yet have made larger profits than they ever made at any time in their history; that there were sufficient loopholes and sufficient inadequacies so that without any very great effort at evasion there was not any real check on them, or if it was real it was only of a general supervisory kind.

I say that for this reason, that following the completion of this first accounting check by the Federal Trade Commission, all of a sudden, out of the clear sky, came a communication to the President by the Food Administration, perhaps by others, certainly by the Food Administration, in which it was stated that the situation was such that it might even be necessary for the Federal Government to take over the entire packing business and run it. In other words, the situation on the inside was serious and highly threatening. I

think it was due to the realization of the fact that the methods employed up to that time were not proving efficacious at all.

Mr. COLVER. That suggestion did not come from the Federal Trade Commission.

Mr. FISHER. No, sir; I think it came from the Food Administration. There was a communication which was given general publicity and which was followed by the suggestion as a part of this communication to the President that the President immediately appoint a committee of five, I think it was, representing the principal Government departments concerned—the Food Administration, the Federal Trade Commission, the Department of Agriculture, the Department of Labor, and, I believe, the Tariff Commission, which was supposed to have certain aspects of the matter in mind.

That commission, consisting of persons delegated from each of these departments, was to inquire into the whole situation, go into it comprehensively on a broad, constructive basis, and make recommendations that were really going to take care of this situation. Well, they labored with the problem. It was currently reported that there were differences of opinion, on account of some members of this committee of five being convinced that there was nothing to do but for the Government to go the whole distance and take the properties over.

Mr. HAMILTON. Just a question there. If the Food Administration did not know enough to check up the business of the packers without the assistance of the packers, how could the Food Administration assume that the Government would know enough to run the business?

Mr. FISHER. It makes a lot of difference. If you run a business, you know about it concurrently. If, instead of that, you are letting parties who are interested in making as large profits as they can run it and then you come in from the outside to check what they have done, you have an entirely different problem.

The commission, however, finally made a report to the President in which certain things were advised; among others there were very obvious things recommended, such as the establishment of a uniform system of accounting among the packers, so that there would be some way of comparing Swift's books with Armour's books and getting some information out of them. It was also recommended that there should be some revision of the regulations of the Federal Trade Commission at the expiration of a certain period; I think it was the 1st of July that the Trade Commission was to make an investigation of the license and report to the President what, if any, modifications should be made in the license. That was a very important recommendation, and in my judgment the most important suggestion that was made.

Well, what happened? The Federal Trade Commission put some accountants at work on the matter to try to establish uniform accounting. A great many difficulties were encountered, and it is only recently that any substantial progress in that direction has been made. Of course it required a very careful examination. But we are just beginning to get the possibilities of an accounting system which can be understood and checked. The Federal Trade Commission made a recommendation to the President for changes in the license, which has thus far not been followed by any action.

Mr. PARKER of New Jersey. Has that recommendation been printed?

Mr. FISHER. It has not, sir.

Mr. PARKER of New Jersey. Do you know what the changes are?

Mr. FISHER. I do not know. I would like to know.

Mr. PARKER of New Jersey. That is what I asked.

Mr. COOPER. Did I understand you to say that under this form of license issued by the Food Administration that the packers could make larger profits than they had been making?

Mr. FISHER. That is my belief.

Mr. COOPER. The people of this country must have been fooled, then, in the Food Administration.

Mr. FISHER. Let us not say "fooled"; let us say "disappointed."

Mr. RAYBURN. Right there, was it not a question at that time of production?

Mr. FISHER. There were two questions, Congressman, and the question of production was very important. It was, of course, of vital importance to the consumer that there should be reduction, as I have just attempted to say, of the greatest abundance, and the one great difficulty with this situation is this: The consumer is convinced to-day that he is paying higher prices than are necessary for foods, but the consumer has got a very inadequate supply at the same time. These higher prices are not producing that abundance that certainly ought to follow high prices. So far as those conditions are due to war causes, it may be difficult to overcome them at present. But it is my conviction that if the present methods are continued or if the methods that applied prior to the war are resumed—I mean after the peace treaty—that the prices that the consumer has paid in the past will be the mildest zephyrs compared to the wind that will blow in the future.

Mr. RAYBURN. My question is intended to indicate this, Mr. Fisher, that the packers were allowed during war times to make enormous profits for the reason that ourselves and our allies had to be fed, just like we passed here in Congress legislation to allow the producer to be paid \$2 for wheat.

Mr. FISHER. Mr. Congressman, I hope that was not the reason. The packers did not produce anything. The packers did not do anything in God's world except to take the live stock which the producer out on the plains and on the farms had through months and years produced, and put them through a few of the simplest processes that ever occur in the industrial world. Speaking generally, the changes that the middle man, such as the packer makes on these basic food products are relatively unimportant, they are simple, and the profit that he makes or the margin that he has on his turnover has to be contrasted with the profit which the producer makes and the length of the turnover in each case. The packer in a few days, at the outside in a few weeks, makes his turnover, and the producer takes years to get his turnover. The packer sits at the point of receipt of the live stock, and he buys or he sells according to the condition of the market as near as he can judge them; and the producer has to ship his steer into the yards, into his only markets, and once he has put the steer on the cars and got him to the market, he must sell the steer at the price that the packers offer him, for the cost of care and keep after it once gets on the way will absolutely eat up

every dollar of profit that the producer has had a chance to get, if he keeps that steer two or three days longer than the normal.

Mr. RAYBURN. You said that you hoped that that was not the reason. What do you think was the reason? I think that is a fair question.

Mr. FISHER. Pardon me; I will have to get the context.

Mr. RAYBURN. You spoke of the normal profits that were allowed by the Food Administration.

Mr. FISHER. I think this was the reason: I think that the packer was there and he was a convenient instrumentality with which to deal. I think the Government found it easier and simpler to deal with five men and ask them to come into a room and treat them practically as a recognized monopoly than to attempt to deal with them on the basis of open competition. I think the Government encouraged concerted action on the part of the packers at that time, and for what the Government believed to be adequate reasons of public policy.

On many of these contracts nobody else was asked to bid. On many of these contracts the packers were allowed themselves to fix the prices; in practical effect they were asked what they could produce it at, and they were started in on that basis. There was a deal disclosed in these investigations, the substantial nature of which was as follows:

The packers were allowed to bid and each packer was allowed to say how much he could furnish and at what price. The average was taken of the bids that were made by these large concerns, and the man who had bid higher than the average in price had his allotment of quantity correspondingly cut down; that is to say, he could get his price, which was more than the other fellow bid, but the quantity which he was allowed to furnish at that price was correspondingly reduced. So that, as disclosed by the correspondence, at least one of the concerns, as I understand the matter as it was disclosed in the hearing—this is subject to correction—but as I understand the matter at least one of these concerns purposely inflated its quantity bid so that when it was reduced by the excess price it had put on its profit it got just about the quantity it felt was up to its capacity to produce, which was eminently satisfactory.

Mr. RAYBURN. Then you think that the Food Administration's attempt to control this business through its system of licensing has been a disappointment, at least?

Mr. FISHER. Oh, undoubtedly. I do not think the Food Administration would disagree with me on that. They would say to you, "We were handling an emergency proposition. Even if we had the money we would have to go out and get a lot of men who knew something about this business to handle it for us. We have done the best we could. We have succeeded in stimulating the packer so that he has furnished the finished products in the quantities we needed, and we have exercised some restraining influence on the total profits he has made." And those claims, probably, I think, are justified.

Mr. STEPHENS. And they had to have the meat right away?

Mr. FISHER. They had to have the meat right away. Instead of buying from the producer they bought it from the packer, because he was the convenient man from whom to buy.

They, of course, could have bought the steers and told the producers to turn them over to the packers and let the packers make such and such a profit. They could have bought right on the market, and there were a lot of people who thought that was what they ought to do.

Mr. RAYBURN. That would have taken a good deal of time.

Mr. FISHER. It would not have taken more time than the other did.

Mr. SNOOK. Going back to the license, what did the license have to do with stimulation and production?

Mr. FISHER. The terms of the license would have to be such as would stimulate. That is to say, if you allowed them such a margin of profit that they were obviously going to be permitted to make an extreme profit and at the same time to do it without attempting to compete with each other it of course would stimulate their activity and their desire to buy just as much as possible and make just as much as they could of the finished product; and their letters show that that was so.

Mr. RAYBURN. I thought you answered me a while ago that that did not produce any stimulation?

Mr. FISHER. The question you asked me was whether I thought that was the controlling motive that led to this provision in the license.

Mr. RAYBURN. I said the question of production.

Mr. FISHER. I do not think that was the controlling motive.

Mr. RAYBURN. By allowing them a liberal profit the Government thought they would get the meat or come nearer to getting the meat?

Mr. FISHER. I do not think that made a particle of difference, Mr. Congressman.

I clipped out of the paper this morning this statement—I do not know anything about it, and it is a newspaper item. It is in relation to Swift & Co.'s profit. Swift & Co. have divorced Libby, McNeil & Libby, which was a part of their business; they have separated their entire foreign trade; so it is a separate proposition. Their stock has been mounting, mounting, and mounting on the exchange, and there are supposed to be assets of such a character that the insiders are supposed to be making money out of the stock. It is difficult to buy it and it has been going up. This telegram from Chicago says:

Gross sales in excess of \$1,200,000,000 returned net profits of \$21,157,277 to Swift & Co., according to the annual report read at the stockholders' meeting held here to-day. The net is reached after deducting \$111,828,164 for Federal and foreign taxes. The net for the previous year was \$34,650,000.

I think that is an illustration of this need of uniform accounting. I think if you will inquire into it—I may be mistaken—but I think if you will inquire into it you will find that the two figures are not comparable at all. They are talking in the one case about a fraction of the business and in another case they are talking about net on the whole business, which has since then been subdivided. Whether they are or not, the clipping says the meat packers earned 13.4 per cent for the year on a billion two hundred million of sales, and that, gentlemen, includes, and it says the net is reached after taking \$111,828,164 for Federal and foreign taxes. If that is all we are accomplishing by the excess-profits tax, so that before you determine what your net profits are you deduct all the taxes you pay, we are not making any visible progress toward spreading out the burden of taxation.

Mr. HAMILTON. Does it not appear then that the consumer is paying the excess profits?

Mr. FISHER. Why, of course.

Mr. PARKER of New Jersey. May I ask you a question right there, Mr. Fisher? I do not find in any of these statements in the reports of the Government on the meat packing industry any figures for the last five years showing the average price of animals on the hoof, the average price at which they are sold by the producers, the average prices at wholesale, and the average prices at retail. Of course, that table could be made tremendously large, but it could average by months or years so it would be quite short, and there is nothing whatever in these reports to show us how the prices have been affected by the war or by combine or otherwise during that course of years.

Has no such table been prepared?

Mr. FISHER. I do not know of any. Let me explain it. I employed economists of considerable ability to try to work up statistics of the kind that you have in mind, because my interest in this matter was to try to get something constructive out of it, and after working on it for months they threw up their hands. The statistics that are available are not good for anything. Of course, you want to know what the price of the steer is, do you not? All right. Unless you take it off the packers' books, which is the only place where I know of where it could be obtained, you have no statistics that are available. The market statistics that are published throw no light on it. They publish in the National Provisioner and in the other market journals, which are very largely, let us say, preponderantly controlled by the packers, and in many instances by direct ownership, in others by subsidies or by community of financial interest—they will publish the high and low price on a given day, and they will publish an average price. But there is no way of finding out how many animals were sold at the high price and how many animals were sold at the low price, and the average means nothing but an arithmetical average of the low and high price. It is no average; it is no working basis.

Mr. PARKER of New Jersey. How about meat?

Mr. FISHER. When you come to meat, there is absolutely no classification of the meat that is reliable. It is obvious that you can not get down to less than carcass or quarters, because the quality has a great deal to do with it. There is no way of comparing roast cuts or steaks; it has got to be by carcass beef, and it has got to be a certain gradation of steers and all that sort of thing. There is no standard there; it varies over the country. And, according to the statements of the retail butchers, what they buy at one time for No. 1 is not what they buy at another time for No. 1. Sometimes the prices remain without going up, but the quality deteriorates.

Mr. PARKER of New Jersey. I happened to be connected with a public institution in my own State that was buying meat in large quantities. We had competition between the packers you have mentioned and one's name I have forgotten—a German concern in Brooklyn—and we had considerable differences always in the bids—1 or 2 cents—and were buying beef at 13 and 15 cents a pound by the quarters—forequarter and hind quarters—when it was selling for double that amount in the market; and I should think that wholesale

transactions of that sort ought to be available to let us know how much the wholesale prices have gone up during this period of scarcity and how much the retail prices have gone up, so that we can see whether the fault is more in the slaughtering and packing of the meat or more in the retail profits. Such a thing as that ought to be able to be stated in some way.

Mr. FISHER. Yes, sir.

Mr. PARKER of New Jersey. There is no material whatever here on that subject.

Mr. FISHER. I was told at one time that there were certain concerns engaged for a long period of time in the wholesale meat business who have kept their records for those long period of years and had through that period of years the same uniform principle or theory and that therefore they might furnish me such comparative statistics as you have just referred to, and I was given the information that a certain concern had information that would have been very illuminating and would give me that information. When I tried to get it the head of the business in the meantime had thought the matter over and explained that their situation was so delicate and that from certain things that occurred in other directions they were convinced that if they gave that information to me and it became known—and, of course, it was of no use to me unless I could make public use of it—that retribution would follow swift and sure, and that they did not care to furnish it.

Mr. PARKER of New Jersey. Would not the Government institutions, such as soldiers' homes, which are buying tremendous quantities of meat, be able to give us something about the wholesale prices of meat during the last four or five years?

Mr. FISHER. Perhaps information is available from that source.

Mr. PARKER of New Jersey. You could find that out?

Mr. FISHER. I do not know whether I could, but the Federal Trade Commission could.

Mr. COOPER. Mr. Fisher, going back to the license again—that is very interesting to me—if I remember right, at the time the Food Administration granted this license to the packers the impression was generally felt throughout the country that this was done for the purpose of beating down prices to the consumer; that it would probably stop the packer from charging high, excessive prices for his product?

Mr. FISHER. Yes.

Mr. COOPER. And yet that license did not accomplish anything of the kind?

Mr. FISHER. Oh, pardon me; I think it did. I think, as I have said, that it did put some limitation on the profiteering that might otherwise have gone on.

Mr. COOPER. I understood you to say—

Mr. FISHER (interposing). But it left a liberal margin.

Mr. COOPER (continuing). They had the opportunity under this license to make greater profits than they ever made before?

Mr. FISHER. I think so; but certainly not as much as they would have made if the license had not been in existence.

Mr. DOREMUS. They did that by manipulating the accounts?

Mr. FISHER. Not necessarily by manipulating the accounts, but the mere scheme of license did not cover the situation accurately enough.

Mr. HAMILTON. Mr. Fisher, some time ago you made the assertion that after-the-war prices would be much higher, and I assume that when you made that statement you took into consideration that there would be a larger home supply, much larger than at present, because we would presumably be furnishing less meat for export than now.

Mr. FISHER. Yes, sir.

Mr. HAMILTON. I wish you would state on what basis you made that prophecy.

Mr. FISHER. Before the war occurred we had reached a point where Congress, notwithstanding the very great prejudice of a large part of the people, had thought it wise to provide for the production or elimination of the tariff on foreign meats. We had begun to export a certain amount of meat from the Argentine, and so on. True, very little of it stayed in this country, but only went through in transit.

The CHAIRMAN. You meant we were beginning to import?

Mr. FISHER. I should have said "beginning to import." But the general impression was that from the point of view of the consuming public it was desirable to let in foreign meat. The producers, many of them, did not agree with that policy, and accordingly felt that if we were going to have the protective principle that certain agricultural products were entitled to share in the application of it. But, nevertheless, we did start in that way, on this general indication that the public at least was convinced that our supply was not as abundant as it ought to have been, relying entirely on domestic production.

Now, we are going back. There has been this abnormal demand; supplies have been lessened; there has been a general diminution, and the demand on the supplies is going to continue. It is very hard for me to talk about what the present stocks of live stock is in the United States as compared to what it was before, because I have not entire confidence in the statistics we have, so as to be sure they are comparable one with the other.

Mr. HAMILTON. Are there considerable supplies in cold storage, let me ask you, at the present time?

Mr. FISHER. That I can not say at the present time. There have been, but they fluctuate.

Let us suppose that the war is over, and we have got to the period when the Food Administration's jurisdiction ceases. That is the only thing we have got now that attempts to put any regulation on this thing.

Mr. WINSLOW. Will you stop for a question right there?

Mr. FISHER. Pardon me. Just let me finish, if you please. The Food Administration, let us say, discontinues. What is going to be the restraining influence? Let us assume that the packers do not intend to do anything on earth except what they think honestly is justified.

Mr. HAMILTON. But the available supply will be larger?

Mr. FISHER. Larger than it has been, but it will be free from restriction.

Mr. HAMILTON. Yes.

Mr. FISHER. As it is now, the packer, by agreement with the Government, puts the price on the live stock that he buys, and he is under this general license and is restrained in the profits he can make so far as it operates to do anything. Let us suppose those

restrictions are removed. Well, producers and the packers are human, and they will operate to put the price up just as far as they please. The difficulty about the whole situation, of course, is that the producers have to take what the packers pay them.

On page 23 of the annual report of the Federal Trade Commission just issued, they say that during the year 1916—which I understand is the last year which statistics were available when the report was gotten up—the percentage of control by the five large packers of the total number of cattle shipped in interstate commerce, which is the only shipment of which we have reliable statistics, because that shipment is under Federal supervision, controlled 82.4 per cent in the year 1916; that of the number of calves they controlled 79.4 per cent; of the number of sheep 86.6 per cent; of the number of swine 63.3 per cent. Of course, always their proportionate control of the kill of the stock market is less than of the other, because the curing of hams and bacon and other pork products is a similar process, and more people can indulge in it, it requires less capital, you can have more units, is susceptible of storage, and you do not have to dispose of it immediately, and, of course, there is always a greater opportunity of competition.

The CHAIRMAN. I understood you to say that is the report showing the amount the five packers handled in the year 1916?

Mr. FISHER. Yes, sir.

The CHAIRMAN. I just wanted to see if I was correct.

Mr. FISHER. Of course, an interesting bearing that that has on the recommendations of the Federal Trade Commission and the provisions of the bill you are considering is that the pork products, of course, depend less on cold storage and less on refrigerated transportation, so that the control of the refrigerator cars in which meats are shipped applies less to pork than it does to beef or mutton.

A moment ago a question was asked about the quantities on hand. I do not know about the amount in cold storage at the present time, but this report states that the five large packers controlled 95 per cent or held 95 per cent of the frozen beef in 1916, the average monthly stocks held by interstate slaughterers—95 per cent, or within 5 per cent of the total supply.

Smoked ham and bacon, 64 per cent; dry salt pork, 69.8 per cent; pickled pork, 70.5 per cent; lard, 75.17 per cent—again showing this contrast between pork products and other meats.

Let me go back just a moment, if I may, to this question of the profits. I can only give you such information as is available to me, but the Chicago Tribune on November 16, 1918, contained this item:

Those who watched the Swift international go to 50, and Libby, McNeil & Libby touch 25 yesterday refused to listen to wild (even if prophetic) tales that the rise had just begun, and with a little figuring demonstrated that these two former subsidiaries of Swift & Co. are selling for almost as much as the whole corporate structure was worth in the market a year ago, and more than two-thirds as much as the entire Swift property was worth marketwise six months ago.

Libby, with a par value of \$10 a share, or \$12 800,000, was quoted yesterday at \$32,000,000. Swift international, \$15 par, or \$22,500,000, had a market rating of \$75,000,000 last night. The two combined were worth \$107 000,000 in the market. A year ago Swift sold at 116, and there was \$100,000,000 outstanding. In other words, the two subsidiary offshoots are now selling within \$9,000,000 of the market of the entire Swift property a year ago. Six months ago the combined properties were selling in the market for \$150,375,000.

This shows that Swift trusts have gained \$140,310,000 in the market this year, selling last night at \$256,110,000. The gain in six months has been \$105,735,000 in addition to approximately \$5,250,000 in cash dividends accrued and paid.

Let us make the allowances that I think ought to be made. I think you can never take the market quotations and say they will necessarily apply to the entire capital stock, because if you were to sell the entire capital stock, if it were to go on the market, the very act of attempting to sell it would operate as a depressing influence on the market. But, make all the allowances you want to, discount it any way you choose, the substantial facts stand out like lighthouses and you can not miss them even in a fog. What are we going to do about it? Let me say in this connection just one word before I go on. There is one tribute that has been paid to the agitation of this subject that is more eloquent than anything that I can put in words. The packers are so concerned about the seriousness of this matter that now for months they have been conducting the most astounding campaign that has ever been attempted in the history of the United States of America. If you will get the figures and find out the amount of newspaper and periodical space that has been occupied by the paid advertisements and the special articles it will absolutely astonish you. That has occurred all over this country. The big dailies in the cities and the little country papers have contained it, and the plate material that has been sent out, and the news articles, and all that kind of thing has been tremendous. There have been published pictures of the factors engaged in the benevolent operation of rolling dollars to the producers, "We paid to the producers during the past year so many million dollars," and on that they say "We have only made such and such on the turnover." It depends on how rapidly you turn it over, and I think all of us would be willing to take a very, very minute fraction of it, far less than the packers make, if we can just turn it over fast enough.

And then they talk about the amount that has been added by their operations to the prices of meats, so many cents a pound, or a fraction of a cent a pound. Well, of course, everything depends on the analysis of the statistics that these figures are based on. And the producers, as I have said to you, and the consumer, are vitally interested in something being done, and I do not stand here for a moment to suggest to you that the producer ought to be treated any differently from the packer. It is true that the producer is not organized. Why, it is the most disorganized section of our population. The geographical distances that exist between farm and farm operation, in addition to the character of the business, do make them individualistic. There is nothing that exists in the way of an organization in the live-stock business, except this national organization, whose market committee I am representing here and the State and district organizations, and it is all a loose organization.

The market committee attempted to get this subject considered on its merits by the newspapers, and it has just issued a statement to the editors of the American press that—with the permission of the chairman—I will have to stop to read, but it might interest you to see just what the producers are claiming to be their attitude.

(The statement referred to and submitted by Mr. Fisher is here printed in full as follows:)

To the Editors of the American Press:

Furnishing to the people of the United States, and especially the resident of our industrial towns and cities, of an abundant supply of wholesome food at the lowest prices that will assure its production is a matter of the greatest importance. It has an especial and immediate interest to which we earnestly ask your attention.

By express direction of the President and under specific appropriation by Congress the Federal Trade Commission has made a searching investigation into this subject, particularly as it is affected by the operations of the large Chicago packers. On December 10, 1918, at the suggestion of the President a bill was introduced in Congress by Representatives Sims, of the House Committee on Interstate and Foreign Commerce, for the purpose of carrying into effect the recommendations of the Federal Trade Commission with respect to the marketing of live stock and of meats and other products derived from the slaughtering of live stock. A preliminary hearing on this bill was held on December 19, and further hearings are now being held.

An alert and informed public opinion is essential to the right determination of the issues involved. The immediate issue is the relation of the five big Chicago packers to the consumers of meat and animal products and to the producers of the live stock from which these meats and other products are obtained. Involved in this issue is also the marketing of many other important food products. It is an issue vital to the whole Nation and to every interest concerned, and the rights and welfare of every interest should be thoroughly understood, impartially protected, and wisely promoted.

The interests of the big packers have now for many months been presented through paid advertisements and special articles, which, together, constitute an unparalleled publicity campaign conducted by experts in the art of influencing public opinion and costing enormous sums of money. Neither the consumer nor the producer can compete effectively with these methods, although they ultimately pay the bills. The consumers are wholly unorganized and the producers are practically unorganized. Both must depend upon the independence of the American press and upon its intelligent devotion to the public welfare. It is in confident appeal to that independence and public spirit that the American National Live Stock Association addresses the press, and especially requests the publication of this letter and of full and fair reports of the important congressional hearings and debates.

The American National Live Stock Association is the national association of producers of meat animals in the United States. Directly and through its affiliated organizations it speaks for a great part of producing America, and speaks in the interest not only of the producers but of the consumers of meat products. It views with serious concern the extraordinary campaign of concentrated power and concentrated profits which the packers have been and still are conducting to influence American public opinion. It does not possess the financial resources with which to combat it on its own ground, even if it desired to do so. All it does desire to do is to make certain that the evidence and arguments of all parties in so vital a controversy shall be fairly and fully presented to the great popular jury of the country. It believes that neither the producers nor the consumers desire anything that is unfair to those who perform the necessary and useful functions of slaughtering live stock and marketing its meat and other products. It believes, however, that they do desire to open and to keep open if possible the door to free and fair competition in every branch of the great business of supplying the consuming public with the products of the farm and of the ranch, and that while such competition is being established and until it is established the practical monopoly which has confessedly existed in the past and which the Federal Trade Commission has found exists to-day shall be effectively regulated and controlled for the protection of the interests of producer and consumer alike.

They recognize the value and the need of cooperation between all those who engage in the interdependent processes of production, of manufacture, and of distribution, but it must be the cooperation of democracy and not the cooperation of a financial oligarchy with democracy. It must be a cooperation not only between packer and producer, but with the consumer, and its object must be to furnish food to the consumer at the lowest cost consistent with a fair return to those producers, manufacturers, and distributors who do perform essential services by efficient methods economically sound. The President has well said, "It is obvious that there will be no sufficient incentive to enlarge production if there does not exist an unobstructed and economical system of

distribution. Unjustifiable fluctuations in prices are not merely demoralizing, they inevitably deter adequate production." If effective competition does not exist and if monopoly is not effectively controlled, the injury to the producer directly results to the injury of the consumer. Indeed, the Sims bill is chiefly devoted to the establishment of public control over the instruments and agencies for the transportation, storage, and distribution of meats and other food products to the consumer. Such control is essential also to the protection of the producers. The partial regulation, which is being exercised as an emergency war measure, is temporary in character and inadequate in its operation.

Upon the great body of farmers, stock raisers, and feeders rests the task of producing beef, pork, and mutton to feed the consuming populations of American towns and industrial and commercial centers. The months and years which these producers must spend in raising and fattening a meat animal for market is to be contrasted with the hours or days or weeks necessary for slaughtering and distribution. And as the time necessary for production exceeds that of distribution, so does the total investment in the ranches, farm buildings, live-stock feeding plants, in corn lands, and in the production of feeds of every sort, surpass the investment represented in the packing houses and distributive agencies. While the raising and preparing of meat animals for market requires the labor of many millions of families scattered throughout the length and breadth of the country, the big packers are a small and inter-related group fringed by relatively few minority stockholders employing some thousands of wage earners. The producers have been and to a large degree still are unorganized, proud hitherto of their economic and political independence, flattering themselves that they constituted one of the most stabilizing, uncontrolled elements of free democracy. By contrast the power of the packers and distributors of meat has been concentrating itself for decades consciously, steadily, and silently into a few hands whose control is rapidly being extended and fortified by domination of the meat industry of a large part of the world. It is also being rapidly extended to other important food products.

The producers have long known that these processes were at work. They have known that community of interest and concert of action among the large packers had confessedly existed. They have believed that it had continued to exist and that it operated to their disadvantage. They differed among themselves in their beliefs as to the degree and character of the monopoly and as to the remedies for it. They did not differ in their conviction that the great and sudden fluctuations that occurred in the prices paid for live stock at the great central markets were due to manipulation and not to the normal operation of economic laws. They knew that these violent fluctuations usually meant huge profits to the buyers and serious loss or even irretrievable disaster to the seller, whose live stock once shipped to such a market must be quickly sold to avoid the mounting cost of care and keep. But it was not until the price of every other essential (and many a nonessential commodity) except live stock had mounted in response to the extraordinary demands of war that there swept over the farms and ranches of the country a great wave of realization as to the full effect of the autocratic power entrenched at the central markets, and of determination to submit to it no longer. The present situation is the result. After strenuous opposition from the packers the Federal investigation was ordered, the facts disclosed, and the remedies are now under consideration.

Statements published by the packers in advertisements and special articles as to the fraction of the meat consumed in America which is handled by them, and the implied or expressed conclusion that therefore a monopoly control can not be exercised, are derived from figures which include not only local butchering, but also meats eaten on the same ranch or within the same farming community which produced them. Such statements are misleading. The fact that five large Chicago packers completely dominate all supplies of meats moving from the producing districts through the great markets to the ever-increasing city and industrial populations remains indisputable and has been confirmed by the investigations and reports of the Federal Government. The recent annual report of the Federal Trade Commission contains interesting and significant statistics upon this subject.

The accumulated tolls levied upon this traffic and charged to producers and consumers alike are now measured by the hundreds of millions of dollars. The economic power represented by this wealth, one supplementing the other, draws within its sphere and ultimately swallows a succession of one-time competing interests, small packers, independent butchers, stockyards, special car lines, cold-storage facilities, cattle-loan banks, trade papers, canneries, and other market-

ing facilities. The control of the market is accomplished by the control of the very instruments by which marketing is carried on.

It is to meet this situation that the recommendations of the Federal Trade Commission are directed. These recommendations have been widely misrepresented. They are not radical. They are not as radical as many have expected and advocated. They do not propose that the Federal Government take over and operate the packing houses and the entire distributing system. They propose merely that the instruments and agencies of monopoly shall be taken out of the control of those who would profit by monopoly. These agencies are the private stock and refrigerated car lines, the stockyards and refrigerated storage terminals in the great cities. These recommendations have been considered by many farmers' and producers' organizations and have been approved by every such organization that has yet considered them. Their adoption will in no way lessen the manufacturing efficiency of the packers nor their utilization of animal by-products. Nevertheless it must be clearly recognized that efficiency is not the issue. Even if it were, is it likely that the highest degree of efficiency either has been or can in the future be maintained in an industry which has no real competition, and where control of management goes so largely by inheritance? Other autocracies have before this made claim to efficiency which could not stand the test of competition with freedom and democracy. The pyramiding net profits towering into many millions, and the silent, unceasing extension of power into new fields here and abroad are the answer to advertisements showing the packers rolling dollars to the farmers, whose average net return does not equal the wages of the mechanic. Figures showing small profit per dollar of sales or per pound of product are what we have a right to expect and demand in an industry handling as valuable material with as rapid a turnover and with a little alteration by manufacture as are meats and other basic foods.

But the issue is not one of efficiency. The issue before the jury of the country is of economic liberty in America. It has been conclusively established—indeed it can fairly be said to be admitted—that a combination in restraint of trade has existed between the big packers. In a statement issued by Swift & Co. on August 18, 1918, it is said: "The 'beef pools'—that is, the arrangements whereby the quantity of beef that could be shipped by each packer to various large eastern markets—were discontinued in 1902." The Federal Trade Commission has found that in spite of changes in form a combination far more reaching and effective still exists. The question is whether and in what manner effective competition can be restored in an industry in which a community of financial interest has once established a substantial control, or whether practical monopoly must be recognized, and its operations and profits be regulated in the public interest. What laws shall be passed, and what measures shall be taken upon either hypothesis or upon any intermediate one? In particular, can we have effective competition or effective regulation and control if the marketing agencies of transportation and distribution, live stock and refrigerated cars, stockyards and refrigerated terminals and storage facilities remain in the hands of those who already dominate the marketing of live stock and of meats in interstate commerce? Should not at least the specially constructed and equipped transportation and terminal facilities essential to interstate commerce in live stock and meats or other food products be furnished by or in conjunction with the railroads to all shippers on equal terms, so that undue advantage over existing or potential competitors shall not be given to those facilities as adjuncts to the packing business? It is to questions such as these that we earnestly invite the attention of the independent press.

Respectfully,

H. A. JASTRO,
L. L. BURKE,
JOSEPH N. CAREY,
DWIGHT B. HEARD,
L. C. LASATER,
W. R. STUBBS,
H. C. WALLACE,

Market Committee of American National Live Stock Association.

If the producers ever get organized, if they ever adopt practices that are injurious to the public, I hope that at that time they will be subjected to just as drastic regulations as it is proposed now to put the

packers under. But until that time comes let us address ourselves to the people who are in control of the situation and who have controlled it.

I gave you the remedies that we propose.

Mr. DEWALT. Let me interrupt you right there.

Mr. FISHER. Yes, sir.

Mr. DEWALT. On page 5, section 3, of this proposed bill there is provided a license. Now, conceding, for the purposes of this argument, that we can not abandon regulation, and conceding that the license system as now provided is, as you say, at least faulty and largely ineffective, and conceding that the Federal Trade Commission has not yet provided for the terms of this license, which I believed you stated—

Mr. FISHER. The Food Administration, you mean?

Mr. DEWALT. The Food Administration; yes. What terms do you propose, or have you any by which this licensing system shall be established, and what shall the license contain?

That is a concrete proposition, and I would like to hear your answer.

Mr. FISHER. That is a large order. You are asking me what regulations I should put in the license, if I was drawing it?

Mr. DEWALT. Yes; how would you change this license which is ineffective?

Mr. FISHER. The first thing I would do to it would be to make it apply to the entire business. I am interested in what they make out of their entire business. If it be true that the character of their business is such that when they load a car, let us say by way of illustration, with beef hanging on hooks, they can load the bottom of the car with eggs, cheese, and butter, which is the economical way to handle it, I would say that that car, being a part of the transportation facilities of the United States, it certainly should be that that was one of the things that the public was entitled to get the credit for and not the packer. I do not think that we should enable the packer to make a higher degree of profit on butter and eggs than he makes on meat.

Mr. DEWALT. In other words, you would amend class 1 by including a great many other provisions than those which are enumerated in class 1 now?

Mr. FISHER. Offhand—and you ask me a question of that kind for the first time—I have never been asked what regulations I would write, but my impression is that I would not have any classes; I would be interested in the total net result, and I would remove the incentive to shift articles one way or the other, or I would remove the incentive of discussing, even in good faith, whether a certain item belonged in one place rather than another, or whether the cost that was figured for one thing was different the way they figured. I would be interested in the net result of the whole business.

Mr. SWEET. I would like to ask this question: In framing this license what would you base it upon, profits mainly?

Mr. FISHER. When you say "mainly," I do not know. I certainly would not make the profits the chief or the exclusive purposes.

If the situation of this business is such that it is to be put under license—that is to say, if we are prepared to concede free and open competition is not practically available—then it must be treated on

the basis of a regulated monopoly, and the first and most important thing in regulated monopoly is to make sure of its economic effect on the whole subject of production. And I would control the prices they paid for their live stock, and not primarily the margin between what they paid and what they got for it, because I would be interested in seeing that we were really stimulating production, or at least protecting the producer to the extent that he would produce to the fullest practicable extent.

Understand me, I have not any doubt that the five large packers have the theory that they wish to protect the business. They do not want to push the prices to a producer to a point that will jeopardize the supply. But being engaged in the business of selling goose eggs, they want to stimulate the production of eggs; they want to make the goose lay as many golden eggs as they can, and they are not expert in the hygiene of geese, and they guess the thing their way, and they are always jeopardizing the health of the bird.

The great thing that the producers complain of all the while are these perfectly astounding fluctuations in the market, that even when the general level of prices for a substantial period of time seems to promise good profits to the producer, they will be marked by astounding fluctuations in the price, which the packers explain on the theory that there are too many animals sent in to market at a particular time, and so they say, "We have an oversupply," and they cut off. And what happens is that a lessened supply causes high prices and a stimulated supply causes low prices, and always the low prices come in when there is lots of stuff on the market. Thus they catch the individual producer who happens to have shipped with the best information he has got, and whose live stock, as I explained to you, must be sold or eat their heads off, and they catch him frequently on low prices, whereas the other man who happens to be more fortunate in selecting his time of shipment will get away with a good profit. And it is the conviction that has been forced home to those sterling Americans that their business is on an unsound basis. They are perfectly willing to try to understand economic causes and conditions, and then take their chances on the market; but they feel that the control of the market is not based on economic conditions, but that it is based on arbitrary control.

Mr. SWEET. Yes; and that the packers fix the prices for the producer?

Mr. FISHER. Undoubtedly. So that if I were establishing a license system I should go upon the theory that we were really going to regulate this as an admitted monopoly, in whole or in part—it does not have to be a perfected monopoly to require regulation. I would make one the principal, if not the principal, object I would have in view to try to see that the market was handled on sound economic lines that would protect and increase and stimulate production.

Mr. DEWALT. Just reducing that to its ultimate result, however, I think you would be concluded in saying that that license system would not only regulate the price at which the articles were to be sold, but it would also regulate the price of the articles as bought by these packers?

Mr. FISHER. Of course it would.

Mr. DEWALT. And then you would again be doing what is complained of a good deal; you would be regulating the price of a staple commodity just as you regulated the price of wheat.

Mr. FISHER. No; not as the price of wheat was regulated. There is nobody monopolizing wheat—I mean effectively. There are large dealers who have considerable to do with it; but wheat can be stored and it can be kept. Live stock has to be sold when it is ready, or it means a loss. When you have worked the animal up to a point when it is really ready for the market, every day you keep it after that means a relative loss. You can not continue to put meat on the animal and get a return for the feed that you put into it, and when you have shipped him you are through; you have to sell him.

Mr. DEWALT. I understand that perfectly. But without the refinement of the different circumstances, is it not substantially doing what I have suggested, to wit, fixing the price upon a staple commodity, first, to the producer, and then also fixing the price by the seller or middleman?

Mr. FISHER. Undoubtedly.

Mr. DEWALT. And would not that be the extremity of regulation?

Mr. FISHER. I think my friend over here on the left said he was from New England and accustomed to the tactics of answering a question by asking another. I would like to have the pleasure of asking you a question, which you do not have to answer now, but which you might think of: What do you propose as an alternative, or have you no other alternative than either of the three that I have mentioned?

Mr. DEWALT. No.

Mr. FISHER. You are going to establish free and open competition; you are going to establish regulation of ownership and operation. Which one are you going to take?

Mr. DEWALT. I would propose, if I had to choose, to have very strict regulation.

Mr. FISHER. Very well, then; we are agreed.

Mr. DEWALT. But I am inquiring of you whether this alternative regulation is better than ownership, because I really think that Government ownership would be a misfortune, and therefore I am strictly for regulation, and therefore I wanted to know what your views were in regard to this license.

Mr. FISHER. Let me answer with perfect frankness, as I tried to answer it yesterday before a Senate committee: I believe we have got to take one of the three things I have mentioned to you.

Mr. DEWALT. Let us cast the first one out.

Mr. FISHER. That is, you do not want to restore free and open competition?

Mr. DEWALT. No.

Mr. FISHER. Very well. There are those who do. There are those who think that the real thing is to get as high a degree of free and open competition as possible, and you have not yet repealed the Sherman law, legislatively, at any rate.

Mr. DEWALT. It is gone, however.

Mr. FISHER. There will be differences of opinion. The Sherman law will not be repealed, in my judgment. I dislike to be a prophet, but I am willing to venture a little prophecy that you are not going

to repeal it. You may modify it. but public sentiment is not yet ready for wiping off of the statute books the Sherman antitrust law.

Let us therefore create competition under which will spring up, which may have an opportunity to come in and certainly do no harm. Let us fix it so that a competitor, when he does come in, does not have to buy stock and refrigerator cars and does not have to buy stockyards and refrigerator and cold-storage plants in the big cities before he can do business on relative equality.

The CHAIRMAN. These refrigerator cars and stockyards now owned by the packers are not open and free to competitors or anyone else who would like to avail themselves of that facility by paying the ordinary price of such public-utility service?

Mr. FISHER. They have not been.

The CHAIRMAN. I mean, they have not been up to the present time?

Mr. FISHER. When you say "up to the present time," I am not sufficiently familiar with what has been done in the recent months by the Railroad Administration.

The CHAIRMAN. I mean before the war.

Mr. FISHER. Quite right, sir.

The CHAIRMAN. Competition then means, if I understand it, that an independent packer or a small packer anywhere, whether one of the five or not, would have the same free use of the refrigerator cars, stock cars, and so on, that the packers who now own them have?

Mr. FISHER. That is right, sir, and that is the principle of the commodities clause in the interstate commerce act, and I have yet to see anybody who can make a successful attack on that principle; that is to say, a common carrier engaged in furnishing transportation facilities to the public as a common carrier ought not to have a financial interest in the commodities it transports, because of the inevitable tendency to favor its own commodities.

The CHAIRMAN. I think under this bill that would be cured.

Mr. FISHER. Yes; this bill would cure that.

While we are on this subject of the commodities clause, which is fundamental to this discussion, it is perfectly true that if you let the packers own the refrigerator cars that theoretically the railroads can furnish to their competitors cars which do not belong to the competitor but belong to the railroads. But, practically, the railroads will not do anything of the kind, certainly not adequately; and the reason is clear. If what might be called the backbone of the business, the steady business, the largest thing that is dependable upon is being handled in private cars, the railroads, of course, are taking greater chances of not securing the continuous use of their rolling stocks if they are only taking care of enough rolling stock to supply the competitors of the large packers. The interest of the packers is to keep down the railroad acquisition of this competitive rolling stock; and the result is that the individual competitor, the more or less unorganized packer, has got to bear the whole brunt of the fight to get adequate rolling stock where he needs it and when he needs it.

The large packers, having built up the volume of business, have got into a position where that very volume justifies them in maintaining overhead and managerial force that can look after the cars. That is a good thing, although the managerial ability and force ought to be in the railroad administration looking after everybody's cars; and to the extent the refrigerator cars are in the packers' hands

and not in the railroad hands the incentive is gone. The railroads do not furnish it, and the packers use the fact that the private car lines are handled by them efficiently as a reason for not having the railroads take them over.

It is theoretically and as a matter of adjudicated law the duty of the common carrier to furnish proper rolling stock to carry every kind of commodity that it transports—an appropriate car for the commodity. If it is a gondola car, in which the carrier transports coal that is exposed to the weather, all right; if it requires a box car, to carry the commodity under cover, all right; if it is a commodity that requires refrigeration, a refrigerator car. The railroads ought to be paid an appropriate return for the service, and the competitor who is going to build packing houses ought not to be compelled, in order to compete on an equality with Armour, to go and buy a line of refrigerator cars. You see, you impose a burden on competition that operates against the development of potential competition. Competition may not be the remedy, but certainly it helps; and, at least until we get to the point of frankly abandoning it, we ought to encourage it.

Mr. ESCH. Of course, I agree with you as to the general principles that the railroads supply the equipment for the handling of business. Let us state in the beginning that special equipment should not be put on the carriers' lines by private interests; but they are there. On the 1st of January, 1915, there were 54,582 refrigerator cars owned by private interests. There were 48,926 only that were owned by the railroads. The Interstate Commerce Commission decided two years ago that it had authority to order the Pennsylvania Railroad Co. to supply oil or tank cars. The Supreme Court of the United States said that the interstate-commerce act did not have that authority.

Mr. FISHER. Right.

Mr. ESCH. That would mean, therefore, a change of law giving the power. Then, that raises the very material question of the financial ability of the carriers to either buy over from private interests sufficient cars or to buy new equipment?

Mr. FISHER. Yes.

Mr. ESCH. How would you meet those very practical questions in order to carry out your plan of giving equal facility to all shippers by any kind of car they might require?

Mr. FISHER. I think that can all be met very simply. In the first place, preliminary, I will say I am familiar with what you say about the interstate-commerce act. Not only that, but the Interstate Commerce Commission has just, within a few weeks, make a report on this private-car-line subject, a report which has been under consideration for six years and which, when now made, because of the war, really only deals with it in a tentative way, but in which they point out the fact, first, that under the law and under sound practice the carrier ought to be required to furnish the car that the shipper needs to transport his particular kind of freight; and they point out the evils that result from the contrary system, and then, they say—and that is the disclosure of the whole difficulty—that the courts, however, have held that, because of the peculiar wording of the statutes, the commission has no jurisdiction to order the carrier to supply cars, but can only deal with the question of discrimination in

the cars that are supplied, that being the peculiar phraseology of the law. Of course, you must change that. There is not anything that is more fundamental or more simple to me than the proposition that the Interstate Commerce Commission or whatever agency you set up to have anything to do with the public side of the railroad business, should have the power absolutely to compel the carrier to furnish adequate facilities of all kinds as a condition of going on with the business.

Mr. PARKER of New Jersey. Does not each railroad use cars from all over the United States, in order to provide the public with all kinds of cars, if they do not furnish the cars for their business themselves?

Mr. FISHER. Certainly they do, except as to private car lines. You mean each line does not have its full supply?

Mr. PARKER of New Jersey. It does not?

Mr. FISHER. Oh, no.

Mr. PARKER of New Jersey. I mean when a railroad wants to ship goods they take any car they find?

Mr. FISHER. That is right; and that is the reason why I hope and trust that Congress, whatever it does with the railroads, will get rid of this whole theory of competition in the furnishing of transportation services, at least to the extent as to permit such things as you speak of.

Mr. PARKER of New Jersey. The original arrangement for the railroads was that anyone should have the right to the cars?

Mr. FISHER. Yes, sir.

Mr. PARKER of New Jersey. And that was abandoned for awhile as long as the roads did a separate business. But the moment they had cars going from one road to another they had to go back practically to the original arrangement, because the railroads furnish cars of all kinds and descriptions, and they are used by anybody, the only point being that you must give a shipper a fair opportunity to ship his freight.

Mr. FISHER. He does not use the private car indiscriminately at all. There will not be any private car lines if the system we are advocating is established; there will cease to be private car lines.

Mr. PARKER of New Jersey. Is not a car that belongs to another railroad as much a private car as the car that belongs to a private car line?

Mr. FISHER. Not at all, sir; not in the same sense. The private car that belongs to the Chicago & Northwestern Railroad is open to all shippers on equal terms.

Mr. PARKER of New Jersey. Suppose it gets to Maine. Is that car closed to shippers in Maine who have goods to be sent to the South?

Mr. FISHER. Well, it should not be.

Mr. PARKER of New Jersey. It should not be.

Mr. FISHER. Right; and that is what is wrong with the system.

Mr. PARKER. That car, wherever it is hauled, is used, and then they have to trace it and get it back.

Mr. FISHER. You just explained, as I understood you, that it is not.

Mr. PARKER of New Jersey. I thought I said that cars from all over the United States were used by every other road.

Mr. FISHER. But you just said, as I understood you, that in the case supposed of the Chicago Northwestern car that got into Maine it could not be sent anywhere in the world, but had to go back.

Mr. PARKER of New Jersey. Oh, no; I said it could be sent anywhere.

Mr. FISHER. Not at all. The joint obligation of the roads is, with certain modifications, to get that car back as rapidly as the handling of the business will permit to the Northwestern.

Mr. PARKER of New Jersey. It certainly gets all over the United States.

Mr. FISHER. It does, and that is what they complain of. And one reason the Government of the United States had to take over the railroads and one reason why many of the roads acquiesced in that action very willingly was that all their rolling stock was piling up down here at the eastern terminals, and they could not get their cars back. The result was, it appears, that in certain sections of the country the shippers could not get even the percentage of cars that belonged to the railroads in those sections. There was not any agency representing the Government that was supervising the public interest; it was all a question of pull and haul of private interests. So the Government had to come in and take it over.

Mr. PARKER of New Jersey. Is not the Government now using those cars anywhere it pleases?

Mr. FISHER. Absolutely; and why? Because it has adopted the perfectly correct principle that the ownership of the cars and the rails is, for their purposes, absolutely immaterial.

Mr. PARKER of New Jersey. But they pay rent to the railroad that owns the cars.

Mr. FISHER. Oh, certainly; that is, they pay a return on a capitalization that is equivalent to rent on the cars. They pay a general return on the capitalization. In the city of Chicago, as in other western cities—and I happen to have had something to do with this myself—all the railway terminals are operated at present by a single operating head. You do not pay any more attention to who owns and operates the terminal facilities than you do to who owns the cars.

Mr. PARKER of New Jersey. Yes; but I was speaking about cars. I want to ask, if we went back to the old system under which each car had to be returned, would there not be a great many empty cars going?

Mr. FISHER. Of course.

Mr. PARKER of New Jersey. But now we can use these cars.

Mr. FISHER. Right; and that is what I am recommending, and that is what this bill provides. This bill provides that the private refrigerated car lines shall be taken over by the Federal Government by such agency or agencies as the President may direct. And the expectation was that that agency would be the Director General of Railroads. Under that these private car lines would cease to exist as private car lines and would become general refrigerated cars, to be used by shippers throughout the country in accordance with their needs. And that is the correct principle. I do not care what your solution of the railroad problem is; that principle, it seems to me, is fundamental.

As it stands now, the law does not permit the Interstate Commerce Commission to require the railroads to furnish this service. The

commission has no authority to say to any of these railroads, "There is a lot of demand for refrigerated cars and there is a new packing house going up in Omaha"—and there is, as Mr. Burke told you yesterday—"and that packing house needs refrigerated cars, and you must keep them on hand in accordance with the traffic that we expect to occur." It has not any power to do that. It ought to have.

Mr. HAMILTON. Are refrigerator cars owned by other corporation than these five packers?

Mr. FISHER. Oh, yes.

Mr. HAMILTON. Then you would go the whole length and take over all the refrigerator cars?

Mr. FISHER. I would, sir.

Mr. HAMILTON. That seems to me to be the logical conclusion.

Mr. FISHER. Yes, sir.

Mr. WINSLOW. All private cars?

Mr. FISHER. I believe, generally, the principal private cars. If there is any exception there ought to be perfectly clear justification for it.

Mr. HAMILTON. Would you take over the so-called "peddler" car, too?

Mr. FISHER. That I am not sure. If a shipper could show a complete justification for the use of a particular car for peddling purposes—that is, to be set out at a station and then go on. I am not clear about it. My impression is that the better policy would be to have the railroad furnish it and make a special charge for a car devoted to that use. The railroads have other problems far more difficult than that. Take the question of milling in transit. Take a multitude of things that the railroads have to handle. They could furnish a car on a per diem basis, and it could be a peddler car, and if the rate was right there would not be a bit of difference between having them do it and having the packer do it. The packers have said, "What we want is to be absolutely sure that we—Armour, Swift, Morris—are going to have cars available to handle our business. Otherwise our business will suffer." That is what every large shipper who can control certain transportation facilities says. There is slight justification for it. The difficulty is, if you admit that argument, you have built up an interest within an interest that is destructive of the whole theory of competition.

Mr. HAMILTON. I understand that you recommend two concrete propositions: First, that the law be so amended that the Interstate Commerce Commission may order the railroads to furnish cars?

Mr. FISHER. Yes, sir.

Mr. HAMILTON. Next, you think that all refrigerator cars should be taken over and controlled by the railroads themselves, and not be privately owned?

Mr. FISHER. Yes, sir. In fact, I think that, as a general principle, all specially equipped cars should be owned and operated as a part of the transportation system of the country. I do not mean by that, if there was a single interest or a particular trade, some very peculiar kind of business—a circus, for instance—that it would be necessary to exclude a thing of that kind, because there is not enough use for cars of that kind to justify the railroad in keeping a supply on hand. That may well be left to individual enterprise, if it is willing to take the risk.

The CHAIRMAN. May I ask you a question right there? Do you think Congress has the power to make it conditional upon the use of a private car by any particular interests that that car, owned by it and operated by it, should be open to all persons who wish to use it upon the same terms as if it were owned by the railroad company?

Mr. FISHER. I think it would be within the power of Congress under the Constitution to enact such a law.

The CHAIRMAN. Did we not do something of that kind with the oil pipe lines?

Mr. FISHER. Yes; you did.

The CHAIRMAN. Could not that be done as one of the things that might possibly relieve the railroads from having to get more new capital, so far as these cars are concerned that are now owned by the private companies?

Mr. FISHER. You could do it; but of course it is perfectly clear that you would have to buck the private interests.

The CHAIRMAN. Certainly.

Mr. FISHER. Armour & Co., for instance, would make it exceedingly difficult. They would say, "Of course, we are under obligation under the law to let our cars be used by our competitors, but that must be subject to the demand for the cars, and we are right on the job here demanding them." You would have to regulate against the obvious interest of the packer to prevent his competitor from using those cars.

The CHAIRMAN. I can see how impracticable it would be; I only had reference to the power of Congress to do it.

Mr. FISHER. I think you could pass a statute that would be constitutional to provide that no car should be used in interstate commerce that was not open to any shipper to use in general terms and uniform conditions.

The CHAIRMAN. Such a law, however, might at once bring about trouble between railroad companies and the private packers—

Mr. FISHER. Why, it is commonly supposed that the private car lines, like the private pipe lines, grew up at a time when the rebate system and other special privileges obtained largely in the transportation world, and they were a convenient instrumentality for covering up an arrangement of that kind. It was very easy to make conditions for the fellow that controlled his own car that were more favorable for the large interest that was willing to pay something or make it worth while for the railroad men to fall in with their view and give them a preference.

The CHAIRMAN. It has been claimed in this hearing that the railroads did not want the refrigerator cars; they were unwilling to have them, and the packers only commenced doing that because they wanted to establish a method of disposing of their products. I have no doubt the thing is mutual. The railroads are always reluctant to establish a special service. The packers could undoubtedly see the advantage to them of having the private car lines, and at a time when they were working toward consolidation I have not any doubt that it fell in with their general principle, as a natural part of it, that they would do this. I do not know what the facts were; I do not know what they claim about it.

Mr. RAYBURN. I understood you to say a moment ago, Mr. Fisher, that you thought these cars should be owned by the people who own

and control the transportation systems of the country. Was that your statement?

Mr. FISHER. Yes, sir.

Mr. RAYBURN. You would suppose then, I presume, that this bill was written in the light of the fact that the Government has the railroads now?

Mr. FISHER. Yes.

Mr. RAYBURN. And that when the railroads are turned back—which in all probability they will be—the Government is not to own and control these cars but they are to be owned and controlled by the railroads?

Mr. FISHER. I assume that is what would be done.

Mr. RAYBURN. But this bill says that the President is authorized to buy these cars and operate them.

Mr. FISHER. Right; and I do not see how the bill could have provided anything else. So far as the disposal of the cars is concerned, that must follow on correct principles, as I say, the disposal of the transportation system. The transportation system is at the present time operated by the Government. The Federal Government, then, should take over these car lines and terminal facilities, such as the stockyards, and operate them.

Now, when you come to providing for turning back the railroads, I presume you will take up the situation created by these private cars and terminals, and provide, as one of the conditions of the properties going back to private control, that the railroads shall take over this property that the Government has acquired.

What are you going to do about these common terminals. The Assistant Director General of Railroads, Mr. Walker Hines—who certainly can not be suspected of looking at this from any other than a railroad point of view, having been counsel for one of the principal systems in the United States—says that if there is anything on earth that has been established as being sound by the experience of the country during the past two years, it is that the whole theory of competitive terminals has got to disappear.

All right. Whether it is the next 21 months or the next five years, we are going to have to make expenditures for terminals, and the Director General has got a revolving fund, and I presume he will make some expenditures that he can not at the time allocate between the roads. And there it will be an investment by the Federal Government for the public interest, justifying itself many times over. What are you going to do with it? Why, there will be some provision for taking it back and absorbing it into the transportation system, of course.

As to the transportation system, these gentlemen say—and I think rightly—that whatever is done you are not going to continue the general system of competition between the lines that occupy the same territory. I hope you are going to establish some system under which the straight line, low-grade road can handle the traffic up to its capacity, and that the other road is not going to come in and try to pull traffic away from it and haul it at the added expense, so that we will have to regulate rates on the basis of the cost to the most expensive road. That means that you are going to put in some system of regional corporations, as has been discussed, some system of localized pooling under some sort of public control. You are going to

face exactly parallel questions to the ones which you are going to face if the Government buys these terminals and takes over these stockyards. They ought to be disposed of, as a part of the transportation system of the country.

If a railroad company hauls freight that can be dumped out in the open, such as sand or gravel, it dumps it out in the open and it takes its chances. If it is handling freight that ought to be put under cover, it puts it in a freight house and holds it there for at least a certain period of time during which the consignee can dispose of it. If that freight has to be protected from freezing, it is protected from freezing. But when you come to live freight, for the first time the railroads cease to function, and the live freight is landed at the end of the railroad haul without any place to dump it in, without stockyards owned by anybody except the people who are going to buy it, and it is all just as wrong as it can be.

I do not care whether it is away out in Denver, where the two large packers are confessedly dividing the supply fifty-fifty, or whether it is in some large place where the arrangement is more complex and covered up, it is fundamentally unsound that the shipper should have to put his animals in terminal facilities which are owned, operated, and controlled by the man who is going to buy them, and who is also interested in preventing the establishment of competitors in connection with that particular terminal.

Mr. PARKER of New Jersey. Have you considered the plan that obtains abroad of having the terminals and warehouses owned by the city?

Mr. FISHER. Yes, sir. I am a member of the Chicago Railway Terminal Commission.

Mr. PARKER. Do those terminals abroad include cold storage?

Mr. FISHER. As I understand it, some of them do.

Mr. PARKER of New Jersey. They have city terminals and warehouses?

Mr. FISHER. Not necessarily. Sometimes they are municipal terminals; sometimes they are terminals operated by the Government. Take Germany; I understand both systems prevail there.

Mr. PARKER of New Jersey. But often cities like Hamburg, Bremen, and Liverpool have large warehouses where they receive goods, put them into bond, and make loans upon them at very low rates, for the benefit of the public, so that if there be an accumulation of goods, it can be taken care of. There is nothing of that kind done on this side of the water, is there?

Mr. FISHER. Not that I know of, certainly not on any very large scale.

Mr. PARKER of New Jersey. One difficulty is this, that our system taxes the value of any property so stored, while abroad they do not tax anything until you sell it.

Mr. FISHER. That may have some influence there, but the greater influence is exerted by the different principles of railway transportation in this country and in Europe. In Europe very largely the freight rates are made up of two charges—a terminal charge and a line-haul charge. If the shipper uses the terminal he pays the terminal charge; if he does not use the terminal he does not pay that charge.

Mr. PARKER of New Jersey. Is not that fair?

Mr. FISHER. Of course it is fair, but we have no such system.

Mr. PARKER of New Jersey. Ought we not to introduce some such system?

Mr. FISHER. I think so. I think one of the members of the Interstate Commerce Commission, Mr. Woolley, has recommended it in his very latest report on that subject. It is sound, and it tends at once, as you can see, to stimulate the production of these detached terminals; because a municipality can own a terminal and offer it to shippers at a uniform rate and a low price for the use of the terminal and for storage in it, as you have described, and if thereby the shipper is relieved of the charge which would otherwise be made on him by the railroad for the use of its terminal, it must be a great advantage to establish these independent municipal terminals.

The CHAIRMAN. And the railroads are thus relieved of the necessity of investing capital in terminal facilities?

Mr. FISHER. Yes, sir. Now, how does it work under our system? Why, the truth of the matter is that the railroad which owns both the line and the terminal and has a common charge for both, is not only not interested in how much of that charge is for the terminal service and how much for the line haul, but as a matter of fact is interested in making the terminal charge as low as it possibly can, so as to keep out competitive terminals from effective competition. It all goes into the same pocket, so the railroad does not care, and by putting the charge for terminal service so low on the division of the total rates that an independent concern can not live under it, they keep the whole business right in their grip. I happen to represent a terminal where that precise condition exists.

Mr. PARKER of New Jersey. Does that suggestion involve putting of warehouses with it, which is a very great advantage to men who want to borrow money upon their goods?

Mr. FISHER. I think so.

Mr. PARKER of New Jersey. I know of cases where men have actually sent their goods during a period of depression all the way to Liverpool in order to borrow money on those goods.

Mr. FISHER. That is right, sir; but one great reason why that is done in England is because of the short distance. Many of the merchants there keep at their local places of business a very much smaller stock than we do here, because they can call up Liverpool on the telephone, and the stuff will be at the point where it is wanted the next day.

The CHAIRMAN. They have a short haul.

Mr. FISHER. A short haul, so that concentration in storage and distribution of goods as they are sold or needed is much more applicable than it is here.

Mr. PARKER of New Jersey. Yes; but this was the case of a man who found himself unable to manufacture here during the bad times following 1873. But he went on manufacturing, to the great astonishment of his friends, and I found out afterwards that he sent all his goods over to Liverpool, put them in a warehouse, and borrowed on them at 4 per cent, waited until the prices here went up again, and brought them back here.

Mr. FISHER. That still stops short of the really correct theory. We are discussing a lot of things that are not germane.

Mr. PARKER of New Jersey. This is all germane.

Mr. FISHER. If you think so, we will go on.

One of the difficulties under our system and under this English system is this: Both systems lead to uneconomic development of railroad property and superficial development. One of the most striking things in the United States to-day is the New York Central Terminal, in New York City, where they have retained the use of the lower levels that are needed for traffic and have built over them buildings, which are now paying the charges of the entire enterprise by the mere rental of the space for businesses that find a great advantage in being at that point. So in all of these cities, particularly in the United States, where the terminals penetrate the city and come down into the district where the property is of very high value. It is perfectly absurd to have a lot of tracks on that property, when there might be 10-story warehouses, occupied by men who could on their business there, manufacture their goods there, and send them out, without ever getting onto the public streets and clogging them with teaming or trucks.

That requires legislation, too. You have got to take care of that, because the railroads are bothered by those questions. Suppose they put up a warehouse to be used in that way. For how long a time can they make a lease for it to an individual without being charged with discrimination? How are you going to supervise the thing so they will not create a class of favored shippers, who will locate in these buildings and pay rates lower than they ought to pay? And yet clearly they ought to be permitted to do it.

Mr. PARKER of New Jersey. It ought to be done by the municipality, ought it not?

Mr. FISHER. But the municipalities can not do that unless they own the rails; they will have to own the right of way as well as the buildings, and that is a very large order.

Mr. HAMILTON. I want to ask, Mr. Fisher, whether in the revision of your statement it would be possible for you to sum up at the end in one, two, three order the suggestions you desire to make in relation to this bill and this general subject of legislation?

Mr. FISHER. I will try it, sir.

Mr. PARKER of New Jersey. Do you not want suggestions as to the form of license?

Mr. HAMILTON. I have covered that. I say in your revision, Mr. Fisher; not now. When you have had an opportunity to go over your testimony sum it up in one, two, three order, giving the suggestions you think ought to be made in connection with this legislation, no matter whether they are embodied in this bill or not. I mean original suggestions—whatever legislation you think is advisable.

(After informal discussion as to adjournment.)

Mr. FISHER. I am counsel for the marketing committee of the American National Live Stock Association. Professionally, my service is under their control. I am down here to do anything I can to assist in this legislation, which they believe is important. They are thoroughly behind the recommendations of the Federal Trade Commission in general. They are not wedded to any particular bill or form of expression. In fact, Senator Kendrick has introduced a bill in the Senate which is similar to this in purpose and may be found better in form, particularly in regard to availability at this moment.

We are all assuming on our side of this matter that this committee will try to work out of this discussion and these various bills the kind of bill that the committee thinks proper to pass at this time, and that we are not going to leave this subject without action. That is the important thing.

The CHAIRMAN. I know it is.

Mr. FISHER. I can not impress upon you gentlemen too strongly my own personal conviction that you must not let the Food Administration law lapse without anything to take its place. You must take care of at least those fundamental things that you are all practically agreed upon; and if you can not go beyond a certain point, go that far.

We think the recommendations of the Federal Trade Commission are simple and sound as far as they go. The only one to which there can be any objection is that fourth one, where they recommend that the Federal Government take over sufficient refrigerator and storage space and branch houses to take care of competition. The use of the "branch house" phrase is unfortunate in my judgment, because by implication it means to take over the selling agencies. But refrigerated storage at the end of the line seems to me, in principle, to be as much a part of the transportation service as dry storage or warm storage, and at least that much storage ought to be provided, so that the independent packer—if there is such a man—who wants to start to develop a business will not have to go and acquire special refrigeration space.

Mr. MONTAGUE. I did not hear all of Mr. Fisher's statement. Did you address yourself at all to the constitutional authority of the Government to own and operate several of these agencies that are mentioned in this bill?

Mr. FISHER. I did not; the question was not asked.

Mr. MONTAGUE. Have you given consideration to that subject?

Mr. FISHER. Yes, sir.

Mr. MONTAGUE. Are you clear in your own mind that the United States Government has the right to own and operate these various stockyards, icing establishments, etc.?

Mr. FISHER. I think so; that is to say, assuming now that they are all limited to those which have substantial or exclusive use in interstate commerce.

Mr. MONTAGUE. Do you think it is essential to own them in order to regulate them?

Mr. FISHER. No, sir; I do not think it is essential.

Mr. MONTAGUE. Would you not think it wiser, under our system of government, to regulate them without owning them, if it is practicable?

Mr. FISHER. I think if you can put the ownership in the hands of men who are not interested in the profits of the business conducted in these facilities, the probabilities are that the wiser thing to do is to regulate them. But, as I said before, there are three courses: First, you can have free competition; the next proposition is to frankly recognize the complete or partial monopoly and regulate it; third, if competition fails, if regulation can not be made effective, then ownership of the basic things in the country, as well as the means of transportation, is just as inevitable and just as necessary as the collection of taxes.

There was a time, sir, when the opponents of what they called "governmental activity" held it as a maxim that a government could not collect its own taxes; that that meant an army of taxgatherers; and that therefore the Government should levy the taxes and intrust their collection to individuals, who would turn in some part of what they collected and make what they could on the transaction. The arguments in the literature of that subject almost parallel the arguments being made to-day in regard to the railroads and their needs.

The Supreme Court of the United States—pardon me for the digression—in a decision which did not attract any comment at the time, laid down as a fundamental proposition that a railroad, as far as it is a common carrier, is exercising a function of government. In other words, when the Government takes over a transportation system, it is not usurping the field of private enterprise, but when it has intrusted that to a railroad company it has intrusted a function of government to a private agency.

The arguments in favor of doing that may be conclusive; that is to say, political and other conditions at the time may make that altogether the wisest thing to do. The real question in each case is what is best for the community as a whole. The greatest good to the greatest number is the single test, and where you have reached the point where regulation fails you must go unhesitatingly to Government ownership.

Mr. MONTAGUE. Do you think that the greatest good to the greatest number is the test of whether a thing is constitutional or not?

Mr. FISHER. Not at all, sir.

(Thereupon, at 1.30 o'clock p. m., the committee adjourned to meet at 10.30 o'clock to-morrow, Saturday, January 11, 1919.)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Saturday, January 11, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. C. H. GUSTAFSON, OF OMAHA, NEBR., PRESIDENT OF THE NEBRASKA DIVISION OF THE FARMERS' UNION AND CHAIRMAN OF THE FARMERS NATIONAL COMMITTEE ON PACKING PLANTS AND ALLIED INDUSTRIES.

The CHAIRMAN. Mr. Gustafson, you may proceed in your own way.

Mr. HAMILTON. Please state your name and whom you represent.

Mr. GUSTAFSON. C. H. Gustafson, president of the Farmers' Union in Nebraska. Omaha, Nebr., is my post office.

Now, I may touch on some matters that at first may seem disconnected with what I want to bring out, but if I take too much time I hope the chairman will call me down.

The CHAIRMAN. You may proceed in your own way in presenting your case.

Mr. GUSTAFSON. It is all bearing on the recommendations of the Federal Trade Commission, in support of which I want to speak; that is, legislation to carry out the recommendations of the Federal Trade Commission based on their investigation of the packers.

I represent a cooperative organization of 40,000 organized farmers, and while we have other matters that we take up in this organization, the principal one is cooperative buying and selling, which is done on the Rochdale plan to some extent. In other words, we incorporate our local organizations. In the first place, anyone who joins in the local organization must be a member of the parent organization in the State and keep his annual dues up in that organization. Outside of that we have no jurisdiction over these smaller business associations, such as grain elevators, mills, creameries, stores, buying associations, etc.

We generally maintain the regular prices in the community that any other business man does.

We pay, provided it is made, a certain dividend on the stock, and 7 or 8 per cent is the general amount; and after taking care of all the expenses and placing a little in a sort of safety fund for emergencies, the rest of the profits are divided among the membership, not on the basis of stock owned but on the basis of business done.

We are now carrying out this plan from the local up into the State organizations. We have 150 or more grain elevators, and we are organizing from time to time more of them.

We wish to get into the grain markets of Omaha, for instance, in my own State, but we are forbidden under their rules to get in and practice our method of cooperation.

I, personally, made application to the grain exchange at Omaha for a membership on their exchange, and everything went lovely until the time I told them we wanted to practice the patronage dividend plan, when I was completely turned down, and my money was not good enough in their organization.

In other words, they have built around themselves a fence or a wall that the cooperators can not get through; in other words, an obstruction in the channels of trade to the detriment of the producers.

A year ago last March I made application to the Live Stock Commission Exchange at South Omaha for a membership on their exchange. We were then contemplating going into the live-stock commission business, and when I told them that we wished to practice the cooperative method of distribution of profits, I was turned down.

Now, these things I did for the organization, not for myself personally, but for the organization I represent.

A year ago last August I made application at St. Joe for the same purpose and was turned down, and last summer made application at Sioux City and was turned down.

We started a live-stock commission company, cooperative, opened up in South Omaha April 1, 1917, but we were outlaws. We could not deal with the other exchanges—the other members in the yards. We did not have an office in the exchange building. We were told there was no room for us. We hired another building for our offices.

The stockyards people told us they would treat us the same as anybody else, and the packers told us they would be glad to do business with us; but the exchange would have nothing to do with us; in fact, have prohibited their members from doing business with us.

There is another small organization that is composed of the dealers in stockers and feeders, as we call them. They are prohibited from doing business with us. So we have just got to go it alone.

We have been successful in spite of the handicaps. While the first 10 months we were in business we were losing money, on account of certain overhead expenses that you must meet, since that we have been making money or saving money rather; and at the end of the first 12 months we had \$12,000 that we paid back to the patrons in patronage dividends, or 38 per cent. That was from April 1, 1917, to April 1, 1918.

From April 1, 1918, to the first of this year, we have \$24,000 now ready to be distributed. This is the money that the members have paid us in commissions for selling their hogs, cattle, and sheep; and after we have paid our employees and taken care of our office expenses, the rest of those commissions paid to us go back in proportion to the amount of the business they have done with us.

We had to start our own traders' exchange, which is a very difficult matter, because you need several hundred head of cattle in order to satisfy a customer when he comes in and wants to buy a car of feeders to take out and put in his yard; but in spite of all these things we have succeeded very well.

I want now to impress upon the committee the fact that wherever we go we are blocked by certain restrictions, by certain stumbling blocks, in the channels of trade, and all in the world we ask is that these channels be cleared out so that we can meet the other fellow on an even keel.

We do not ask for any favors in the world. We ask for no appropriations or anything of the kind, but we do ask that the privileges that these men have secured for themselves be done away with. We do ask that in place of their walking in front of us that they step to the side of us. We do not ask them to step behind us, and all we ask is that if they will go along beside us, we will take care of ourselves.

Now, as far as the packers are concerned, my testimony will be very short. I want to say this: That after we had been in business for a little while Swift & Co. notified us that it would be necessary for us to put up a bond. I do not know why. I suppose we farmers were very dangerous and might beat them out of something.

Well, I did not quibble with them. We made arrangements and I went to the bank and borrowed \$5,000 and made arrangements that they pay interest on that money and deposited the money with them. Of course, we lost 1 per cent; that is, we had to pay 1 per cent more than they gave us for the money.

Later on it occurred to me that these were patriotic times and that a liberty bond might be a good stunt, so I asked them if they would not let us have that money and take a \$5,000 liberty bond.

Mr. DEWALT. Let me interrupt you there for a moment. That was a bond for what? What was the tenor of the bond?

Mr. GUSTAFSON. We offered a security bond, but they would not take it.

Mr. DEWALT. But what was the tenor of the bond? What did Swift & Co. want the bond for?

Mr. GUSTAFSON. You will have to ask Swift & Co. about that. I do not know.

The CHAIRMAN. A bond to cover any——

Mr. GUSTAFSON. Their claim was that it was to secure them against us selling them any mortgaged cattle. That was the claim.

Mr. SWEET. Have you a copy of the bond here?

Mr. GUSTAFSON. No; I have not.

The CHAIRMAN. The bond was to idemnify them against any losses that might accrue in connection with any live stock they bought from you?

Mr. GUSTAFSON. Yes. Remember, gentlemen, that the gentlemen of the exchange do not give that kind of a bond.

The CHAIRMAN. They could not do a thing like that, I suppose?

Mr. GUSTAFSON. No; I do not suppose they would, but perhaps we would. Nevertheless, we bought a \$5,000 liberty bond and they are now holding that liberty bond as a guaranty.

I have now, in brief, made my statement in regard to our connection with the live-stock department, which is growing all the time. I have stated to you that when it started we did business at a loss, but in 15 months we passed over 48 firms and became the third in size in the yards; that is, when we started down there there were 50 firms doing a live-stock commission business and we became the fifty-first, but in 15 months we had moved up until we were No. 3. There were only two firms doing more business than we did, and our business in the live-stock-end of it at those three points now, I think, is over \$1,500,000 a month.

The CHAIRMAN. \$1,500,000 a month?

Mr. GUSTAFSON. Yes, sir.

The CHAIRMAN. In excess of \$1,500,000, or eighteen or twenty million dollars a year?

Mr. GUSTAFSON. Yes.

Now, then, the interest I have in this bill and the interest of the organization I represent is this: Our next step is a cooperative packing plant, but judging from what the Federal Trade Commission has given us, I do not see how we would dare to try it under present conditions.

If they have control of the stockyards and the cars and the refrigerating plants, and all those things, we would have to start with such a handicap that I think possibly they would be able to discourage us before we got anywhere.

But if we can have legislation which will clear away those obstacles, then I think we are going to be ready in a short while to go into the meat-packing game.

Our object in our organization is to follow the farmers' product as far as possible on its way to the consumer, eliminating the unnecessary middlemen and the profiteers.

Our object in buying our stuff is to eliminate as many of the unnecessary toll gates as we can and go as close to the factory door as possible and buy our stuff.

May I just say that we have an exchange at Omaha which in 1904 was started, and we did only a very small amount of business, and this last year we did \$2,760,000 and some odd dollars' worth of business. This is a nonprofit-making concern. We try to get the products of the factory and of the mill to the farmer with as little expense as possible, no profit being taken.

Everybody connected with our organization is paid a given, stated salary, with no commission nor rake-off of any kind. Everything that is saved over and above actual running expenses is paid back to the farmers that do business with us, prorated according to the amount of business they do. May I say this: For instance, in my own county—and Congressman Stephens knows about my county—we have an elevator, a grain elevator, covering a trade territory of about 10 miles, and in 1917, after it had paid its manager and paid all expenses and set aside a little money for emergencies, it had \$20,000 from one year's business to prorate back among its customers.

Under the old régime that \$20,000 would have gone to the headquarters at Omaha or Fremont or Denver or California or Europe, or some other place; but in place of going there it stayed right there in that little town and went out to the farmers to make farming a little more profitable, a little more attractive, and to make life a little more pleasant for the farmer and his family.

Now, this is our way of doing business. It is an unselfish way as far as individuals are concerned. Collectively, you might call it selfish, but as individuals we do not want anything from the other fellow. We want each one of us to get the full benefit of his labors.

We want now to do the same thing in the packing game if we can get there, but some of these obstacles that the Federal Trade Commission has brought out must be taken away and removed before we can see our way clear to going into that matter.

To me, gentlemen, it seems there is no more reason why the stockyards should belong to the packing plants than it would be to have a different company own the little passenger stations out along a railroad. They are all owned and operated by the railroads, and so are the little stockyards from which we load our cattle all along the line. They belong to the railroad companies, but when we come to the terminals then some other company must have those yards. That is not reasonable. It is not at all reasonable, it seems to me. Neither is it fair that a certain class of people should have their own cars any more than somebody else should have their cars.

If we have a transportation system, why not include everything that belongs to the transportation system under that system?

Another thing which I do not think is really fair is while the packers are supposed to be handling meat products, they are now handling practically everything you can think of, even down to our grain.

I do not think it is fair that one big corporation, or monopoly, if you may call it that, should have the right to dig into everything that is in the country and take it away from the other people, because we realize that by doing so, they get an undue advantage over the little fellow and the other fellow.

Nevertheless, all that we cooperators ask is that the way be made clear from these obstacles, and then we will promise you to try to take care of ourselves without asking any favors.

Now, I will be glad to be questioned on anything I have not made clear, or to throw any light on this matter that I can.

Mr. SNOOK. Does the scheme you carry out work out any saving to the consumer?

Mr. GUSTAFSON. Yes, sir.

Mr. SNOOK. How?

Mr. GUSTAFSON. I do not know that I have any example at hand at this moment, but it will work out in this way: If the consumers will organize themselves and meet us and eliminate the unnecessary toll gates they have to contend with they can make a wonderful saving.

Mr. SNOOK. But so far as you have carried it, there has been no saving to the consumer, has there?

Mr. GUSTAFSON. There has been to us farmers, as consumers; yes—lots of money saved.

Mr. SNOOK. What is that?

Mr. GUSTAFSON. We farmers, as consumers, have saved lots of money.

Mr. SNOOK. But I am talking about the people buying the meats and grain, and the people who consume the grain and the flour and the beef, and all that sort of thing.

Mr. GUSTAFSON. I think there is a saving; in fact, I know there is. We are selling potatoes at Omaha in our exchange, and lots of the laboring men in Omaha have come down there and have bought potatoes for 25 cents a bushel less than they paid up town.

Mr. SNOOK. In this scheme for the sale of cattle, which you spoke about, do you sell them to the packers at a cheaper rate than the other people?

Mr. GUSTAFSON. No, sir; we do not, and I do not see any reason why we should. We are just a commission firm on the market.

Mr. SNOOK. Then the money that is saved goes——

Mr. GUSTAFSON (interposing). To the producer.

Mr. SNOOK. You are looking after the producer.

Mr. GUSTAFSON. Yes, sir.

Mr. SNOOK. That is what you are interested in.

Mr. GUSTAFSON. Yes, sir.

Mr. BARKLEY. But your contention is that if there was a freer market so that the price could not be controlled by those who purchase, the ultimate consumer would finally get the benefit because you and all others could afford to perhaps sell cheaper or at least eliminate some of the processes by which this beef gets to the consumer and enable him to buy cheaper, whether you sold any cheaper or not, because there would not be such an overhead expense in getting it to him.

Mr. GUSTAFSON. As far as I am personally concerned, if I could have all the savings that could be made, if all these unnecessary speculators and middlemen were taken out, I would be glad to divide 50-50 with the consumer.

The CHAIRMAN. Let me ask you a question right there with reference to cheapening the price of the product. The farmers who patronize you get everything back over and above the actual cost of doing the business?

Mr. GUSTAFSON. Yes, sir.

The CHAIRMAN. Therefore it results to that extent in the farmer getting that much more return on account of the cheaper service which you perform; that is, you perform the same service as that performed by another agency at a cheaper price?

Mr. GUSTAFSON. Yes, sir.

The CHAIRMAN. And, therefore, that will encourage the farmer in producing cattle or meat animals, and to that extent increase production; and increased production will ultimately bring down the price, or ought to do it, if not interfered with by middlemen or by arrangements through which the consumer is shut off from every benefit and the profits put in the pockets of those who own these intermediate facilities like a few commission men. Would not that ultimately bring down the price?

Mr. GUSTAFSON. Exactly.

The CHAIRMAN. In a natural way.

Mr. GUSTAFSON. It would stimulate production. That is what it would do.

The CHAIRMAN. And stimulated production would ultimately reach the consumer if the natural channels of transportation and the terminal facilities and everything else were open to all offering the same kind of business.

Mr. GUSTAFSON. And I might add to this Congressman's question that we are employing a lot of hired help also, and if we were paid more for our services we could afford to pay them a better wage—that is, if our business was more profitable.

Mr. BARKLEY. Will you explain the road that is taken by a cow which leaves the farmer's place through your organization and goes to the packer? I would like to understand just how the process is worked out.

Mr. GUSTAFSON. Shall I explain how we expect to do it?

Mr. BARKLEY. No; how do you do it now?

Mr. GUSTAFSON. Now?

Mr. BARKLEY. Yes. For instance, a member of your farmers' organization has a number of cattle to sell, and he starts out to sell them. How do they go through your organization, and how does this bunch of cattle finally get to the packer through you?

Mr. GUSTAFSON. If the producer has a carload of cattle, or enough to make a carload, he takes them to the station, loads them, and consigns them to our firm, and when they get there we take care of them just like anybody else does. We give the same service, and they are put in the yards alongside of other cattle, with the other fellow's cattle, and the packers come along and they are bought in just the same way. We charge him the same commission that any other firm does, because we have found in this work that by keeping the going prices we do not bring to us the hard feeling among the other merchants or dealers, or whatever they are, that we would if we tried to undersell or perform the service for less money. So we charge the same price, but at the end of the year, when the expenses are paid, then it is prorated back to him, everything over and above expenses.

Mr. BARKLEY. He is a member of this corporation or association and he gets a certain dividend at the end of the year, which amounts to the same thing; that is, he pays you a certain commission, and then the expenses are all taken out of that, and what is left is divided among the men who belong to the organization?

Mr. GUSTAFSON. In proportion to the amount of business they did. For instance, if there was \$1.50 to be sent out and you were shipping two cars of cattle and I one, you would get the dollar and I would get the 50 cents.

Congressman Stephens, you wanted to ask me a question?

MR. STEPHENS. Yes; I wanted to know whether or not these packers ever discriminated against you, whether or not you are put on exactly the same footing as the other commission men, or whether you have noticed that their buyers leave you until last, or in any way at all discriminate against you.

MR. GUSTAFSON. No; I would not make that charge at this time. The only discrimination was on this bond proposition.

MR. HAMILTON. What is the legal name of your organization?

MR. GUSTAFSON. The legal name of the parent organization is the Farmers' Educational & Cooperative—this is a long one—the Farmers' Educational & Cooperative State Union of Nebraska.

MR. HAMILTON. Where are you organized; under the laws of what State?

MR. GUSTAFSON. Nebraska.

MR. HAMILTON. You buy and sell just like these other 50 members?

MR. GUSTAFSON. Yes, sir.

THE CHAIRMAN. I do not understand that you buy at all.

MR. GUSTAFSON. We do buy the stockers and the feeders. We have to buy them, but the others we do not buy.

MR. HAMILTON. Then the whole purpose of your organization, being a cooperative organization, is to divide the proceeds among the members of the association?

MR. GUSTAFSON. Yes, sir.

MR. HAMILTON. Do you pay any salaries?

MR. GUSTAFSON. To those that conduct the business; yes, sir.

MR. HAMILTON. How many men have you got employed?

MR. GUSTAFSON. In all these branches, I think, we have about 75 people employed now, including the State exchange, and our headquarters, and our paper, and our livestock, and insurance, and all of it; somewhere in the neighborhood of 75 people.

MR. ESCH. Is this what you call—had you finished your reply to Mr. Hamilton?

MR. GUSTAFSON. Yes. The question was how many people we employed.

MR. PARKER of New Jersey. I think right here he might state how much they cost.

MR. HAMILTON. I was going to ask that question next.

MR. GUSTAFSON. What question?

MR. HAMILTON. What are the salaries paid these employees?

MR. GUSTAFSON. The ordinary salaries for the same service. We have got to pay the same salaries as anybody else pays in order to get the service.

MR. HAMILTON. What is your office?

MR. GUSTAFSON. I beg your pardon.

MR. HAMILTON. What is the name of the position you hold?

MR. GUSTAFSON. I am president of the concern.

MR. HAMILTON. And the president gets a salary?

MR. GUSTAFSON. A small one, \$2,500 a year; but I have employees under me getting \$6,000 a year.

MR. ESCH. Is this based on the Rochedale plan?

MR. GUSTAFSON. Yes, sir.

MR. ESCH. What are the qualifications for membership in your organization?

Mr. GUSTAFSON. You have got to be a farmer.

Mr. ESCH. Is that enough?

Mr. GUSTAFSON. Yes; if you are a farmer and of good, moral character.

Mr. ESCH. You do not have to be a raiser of cattle?

Mr. GUSTAFSON. Oh, no; any farm products.

Mr. ESCH. And you handle all farm products?

Mr. GUSTAFSON. Well, to some extent, we do.

Mr. ESCH. You stated that the participation in the proceeds was based, not upon the holdings but upon the amount of business done.

Mr. GUSTAFSON. Yes, sir.

Mr. ESCH. What is the shape of the holdings of the farmer?

Mr. GUSTAFSON. Wherever we have these local organizations there is stock sold just like in any other business, shares of stock sold, and they are limited. You can not buy more than a stated number of shares, and the interest on the share is stated, and we practice the one-vote proposition; that is, regardless of how many shares of stock you have, you only have one vote; but our State law, of course, will permit you to vote all your shares, if you care to; but we do not. Every man has just one vote, and the selling of the stock and the buying of the stock is regulated by the organization. So if you are a stockholder you can not go and sell to whom you please. You have got to sell your stock to the board of directors. That is done for the purpose of keeping the stock within the membership.

Mr. ESCH. Is there any limit on the number of shares?

Mr. GUSTAFSON. Yes, sir.

Mr. ESCH. What is the limit?

Mr. GUSTAFSON. It ranges anywhere from \$300 worth up to \$500, and in some cases \$1,000 worth.

Mr. ESCH. How is that based? Why do you allow one to have \$1,000 worth and another only \$300 worth?

Mr. GUSTAFSON. They are all allowed that much if they are members of that organization.

Mr. ESCH. That is the maximum?

Mr. GUSTAFSON. Yes.

Mr. ESCH. Have you a minimum?

Mr. GUSTAFSON. Anything from a \$10 share up to a \$100 share—whatever they decide to make it.

Mr. ESCH. You said that if a farmer could ship a carload to your organization, you would take care of it just as any other commission man. Suppose a farmer did not have a carload—

Mr. GUSTAFSON (interposing). Then two farmers—

Mr. ESCH (continuing). What organization have you got in any local community that will bring the stock in to make up a carload?

Mr. GUSTAFSON. We have our local organizations all over the State. A local organization is made up of 15 or more farmers in a community, and they have their local president and secretary, and generally the secretary is the business manager for that local organization, and if we have several locals around these towns, they designate one man to look after the business end of it; that is, where we have an elevator, or anything of that kind. The members will get into communication with him, and if the man has not enough stock to ship a carload and somebody else has got a few, the secretary is kept informed, and when there is enough reported to make a car-

load, then they are notified and the cattle brought to town and shipped jointly, and then they are separated at the market and sold separately.

Mr. ESCH. Do you maintain your own stockyards in the various outlying communities?

Mr. GUSTAFSON. No; the railroad companies furnish the stockyards.

Mr. ESCH. You do not have stockyards of your own?

Mr. GUSTAFSON. Yes, sir; the railroad companies furnish the stockyards for loading purposes.

Mr. ESCH. Does your local secretary or agent compete in the buying with the local stock buyers?

Mr. GUSTAFSON. No; he does not buy them at all. He just collects them and sends them in, and the price is put on them at the terminal.

Mr. ESCH. There can not be any competition, then, between the members of your organization and the local stock buyers?

Mr. GUSTAFSON. No; not the way the system is practiced; there is no competition there, because they get everything above expenses at the other end. When the cattle or hogs are sold they get everything from the proceeds except the expenses.

Mr. ESCH. Now, then, you say that the profits are distributed according to the amount of business done?

Mr. GUSTAFSON. Yes, sir.

Mr. ESCH. And not on the amount of stock held?

Mr. GUSTAFSON. Yes, sir.

Mr. ESCH. Has it worked out satisfactorily?

Mr. GUSTAFSON. It surely has. Our organization is gaining about 5,000 members a year. We have only been at it five years.

Mr. ESCH. Do you cover railroad systems along the whole line of road?

Mr. GUSTAFSON. No; not necessarily.

Mr. ESCH. Or are they scattered anywhere?

Mr. GUSTAFSON. Yes, sir.

Mr. HAMILTON. Under your method of doing business the consumer of your product does not get any benefit at the present stage of the evolution of your organization?

Mr. GUSTAFSON. Through the State exchange at Omaha we ship in carload lots from the factories as much as possible, and there is no expense there to speak of, and they get it, less the small cost of handling, at the factory price. We have a number of local stores.

Mr. HAMILTON. Locally, you say the consumer does get some benefit by buying direct from your people?

Mr. GUSTAFSON. Yes.

Mr. HAMILTON. But you sell cattle to the packers and you take the packers' price, and the packers handle the cattle and the consumer pays what the packers charge.

Mr. GUSTAFSON. Absolutely. There is no gain in this live-stock commission business, only the saving of the commission charges; that is all the gain there is in that; but when we merchandise, there is a gain. For instance, we are selling a binder which is as good as any other binder, and we have saved our members anywhere from \$55 to \$75 this last year on binders.

Mr. HAMILTON. What company manufactures your binder?

Mr. GUSTAFSON. We buy the Minnesota binder.

Mr. HAMILTON. You buy a certain binder and handle it as an association?

Mr. GUSTAFSON. Yes; the State organization does.

Mr. HAMILTON. And you buy that binder cheaper than the ordinary purchaser can buy it?

Mr. GUSTAFSON. We think we do; yes, sir.

Mr. HAMILTON. You must know about that.

Mr. GUSTAFSON. Yes; we buy two or three hundred thousand dollars' worth in one buy; in fact, I have signed orders for \$1,000,000 worth of binder twine in one order, or \$25,000 worth of husking mit-tens in one order, Congressman Stephens.

Mr. STEPHENS. \$25,000 worth of what?

Mr. GUSTAFSON. \$25,000 worth of these little 10-cent cotton mit-tens. We bought \$25,000 worth of them in one order.

Mr. DEWALT. What advantage, if any, does the man who owns \$1,000 worth of your stock have over the man who owns only \$10 worth of stock?

Mr. GUSTAFSON. Only as he gets his interest on the stock. That is all the advantage in the world. He has no other advantage.

Mr. DEWALT. Merely as an interest-bearing investment, then?

Mr. GUSTAFSON. That is all.

Mr. DEWALT. What interest do you pay on that stock? Does that fluctuate?

Mr. GUSTAFSON. Anywhere from 5 to 10 per cent.

Mr. DEWALT. Then, it is fluctuating, is it?

Mr. GUSTAFSON. No; one community might make it 5 per cent, another community 6 per cent, and so on, whatever they choose to make it in their individual community. For instance, in the eastern end of the State you can borrow money cheaper than in the western end of the State, and naturally the stock would bear a higher interest in the western end than in the eastern end of the State.

Mr. DEWALT. I do not quite understand that. It is my ignorance, of course.

Mr. GUSTAFSON. I think that is plain, Congressman.

Mr. DEWALT. I understand your statement, but I do not see how one share of stock in a particular corporation would bear a larger interest dividend than another share of stock in the same organization merely by reason of locality.

Mr. GUSTAFSON. I think you misunderstand. These are the local organizations, Congressman. I am speaking of the local organizations. Our State organization has no stock. We have not sold a dollar's worth of stock in our State organization. This State exchange and this live stock, and all that—there is no stock sold in that.

Mr. PARKER of New Jersey. I wonder if you have the by-laws here?

Mr. GUSTAFSON. I think I have. I am not positive that I have got a copy with me.

Mr. STEPHENS. I think the gentleman here does not understand the method of your organization. For example, you have local organizations and local companies made up out of your local unions, that buy an elevator?

Mr. GUSTAFSON. Yes, sir.

Mr. STEPHENS. That is separate and distinct, entirely, organized under the laws of the State of Nebraska?

Mr. GUSTAFSON. Under the cooperative law of the State.

Mr. STEPHENS. And therefore has no relation whatever to this live-stock exchange company which you have established in Omaha, excepting that it is made of of Farmers' Union men?

Mr. GUSTAFSON. Yes.

Mr. PARKER of New Jersey. Where does the general organization get the money with which to carry on its operations?

Mr. GUSTAFSON. Through fees and dues. You pay a fee when you join, and then you pay annual dues. Two dollars is the fee.

Mr. STINESS. You started to say something about there being local stores?

Mr. GUSTAFSON. Yes; we have about fifty local stores.

Mr. STINESS. What do you do there?

Mr. GUSTAFSON. We handle a general line of merchandise, as any other store does—dry goods, groceries, hardware, farm implements. We have a number of coal yards and lumber yards.

Mr. STINESS. Then why are not you doing the same thing there that you are complaining about the packers doing?

Mr. GUSTAFSON. I think not. The packers put the money in their own pocket, and this organization returns the money to the pockets of the producers and consumers.

Mr. STINESS. But you are doing an outside business in those stores?

Mr. GUSTAFSON. If anybody cares to buy from us; yes, sir.

Mr. BARKLEY. Your organization is not only handling cattle, but suppose a farmer has to sell or buy; your organization has a branch in touch with the market and with the factory where he sells or buys, so that he may buy as cheaply as possible and so that his products may bring as high a price on the market as circumstances will justify?

Mr. GUSTAFSON. In the buying we try to practice quantity buying; that is what counts.

Mr. BARKLEY. Do you sell in your local stores to anybody not a member of the union?

Mr. GUSTAFSON. Yes; they may sell to anybody.

Mr. PARKER of New Jersey. For credit, or only for cash?

Mr. GUSTAFSON. That depends upon what they wish to do in their own community.

Mr. SWEET. How many members have you in your whole organization?

Mr. GUSTAFSON. Forty thousand male members.

Mr. SWEET. You operate simply in the State of Nebraska?

Mr. GUSTAFSON. This is in Nebraska; yes. Of course, we do a good deal of business with Iowa, Kansas, South Dakota, and other States.

Mr. SWEET. But in handling your grain and live stock you deal simply with your members?

Mr. GUSTAFSON. No; anyone can ship us live stock.

Mr. SWEET. And act through you?

Mr. GUSTAFSON. Anyone can consign their live stock to us, if they care to.

Mr. SWEET. Do your members, in that connection, get any profit out of that?

Mr. GUSTAFSON. No; they should not, because they are not paying anything to carry it on.

Mr. SWEET. And the farmer who is not a member of your organization then does not get any benefit?

Mr. GUSTAFSON. No; it is not intended that he should, because he is not willing to help with the dollar or two dollars a year to make it go. They have to have a little money somewhere to carry on an organization.

Mr. SWEET. Does the organization get any profit from the stock and grain that is handled by a farmer who is not a member of your organization?

Mr. GUSTAFSON. No; the other fellow gets that, too. That is all put in and divided according to the amount of business done by the members.

Mr. BARKLEY. In other words, if John Jones, who is not a member, ships to you 1,000 cattle, you sell them, and you pay him the price that his cattle bring?

Mr. GUSTAFSON. Yes.

Mr. BARKLEY. And at the end of the year, if you get any profit out of that transaction, you divide that money then?

Mr. GUSTAFSON. Yes. But if John Jones will pay us a \$2 fee and \$2 dues for the year, then he will get all his profit.

Mr. HAMILTON. Your membership fees are paid annually?

Mr. GUSTAFSON. Paid annually.

Mr. HAMILTON. And collect about \$80,000 a year?

Mr. GUSTAFSON. Half of it stays in the home organization. Two dollars is the annual dues. One dollar out of the \$2 stays in the home organization. The other dollar is sent to the State organization. Out of that, 50 cents is set aside for our official organ, the Nebraska Union Farmer, and, then, out of the remaining 50 cents we pay 16 cents to the national organization. That leaves us 34 cents.

Mr. HAMILTON. You are organized under the laws of the State of Nebraska, and you say you are doing business over several States. Have you got as far east as Michigan?

Mr. GUSTAFSON. No. They have some very good farm organizations in Michigan; they hardly need us up there, I don't believe.

Mr. DEWALT. I would like to pursue this store business a little further. In these stores that you have established, do your storekeepers pay the market prices, we will say, for coffee and sugar?

Mr. GUSTAFSON. Yes, sir; in most cases.

Mr. DEWALT. Now, where do the profits go?

Mr. GUSTAFSON. They go to the members doing business with the store, who buy and sell.

Mr. DEWALT. You say they go to the members doing business at the store?

Mr. GUSTAFSON. Yes, sir.

Mr. DEWALT. Therefore if I would buy at one of these stores 50 pounds of sugar, if I were not a member of the organization, I would not participate in the profits, would I?

Mr. GUSTAFSON. No, sir.

Mr. DEWALT. But if I were a member I would participate in the profits?

Mr. GUSTAFSON. Certainly.

Mr. DEWALT. Now, I suppose you concede that these packing concerns are also an organization, are they not?

Mr. GUSTAFSON. I think so.

Mr. DEWALT. Yes. They also are incorporated, and they also have stockholders, by reason of their incorporation. Therefore they would stand as members of an organization, would they not?

Mr. GUSTAFSON. Yes, sir.

Mr. DEWALT. They are engaged in the selling of coffee, violin strings, shoes, horses, and everything else. At the end of the fiscal year they divide their profits. You complain of them that they are engaging in other channels of trade than meat packing?

Mr. GUSTAFSON. I do.

Mr. DEWALT. Now, they divide their profits among their organized stockholders. Your stores are engaged in other channels of trade, say, selling coffee, sugar, beans, etc., and you divide your profits among your stockholders. Now, where is the difference, excepting that they operate in a larger way?

Mr. GUSTAFSON. I beg your pardon; I did not say that we divide our profits with the stockholders only. We divide with the members, also. A man can be a member of the State organization and not be a stockholder in a store, and he gets some benefit out of it.

Mr. DEWALT. Let us accept that amendment.

Mr. GUSTAFSON. My complaint comes in this way, Congressman, that the packers do not divide the profits like we do.

Mr. DEWALT. Well, but they divide their profits among their members. Any man can become a member of the Armour Co. or the Swift Co.

Mr. GUSTAFSON. They divide their profits on the amount of stock they hold, do they not?

Mr. DEWALT. I judge so.

Mr. GUSTAFSON. And we divide our profits on the amount of business we do; there is the difference, whether it is buying or selling. And whenever the packers are willing to do that I will not have another word to say.

Mr. DEWALT. I understand that, my friend, but the ultimate result is this, that by reason of your organization engaging in these various channels of trade you do divide your profits, whatever they may be, and maintain your prices at the market price of these different commodities, and, as I said before, divide your profits among your membership. You do not make any difference in prices. Therefore the consumer gains nothing, and ultimately the party who gains is the member who is in your organization, and he gains according to the amount of trade, you say, that he brings there. Therefore, to my mind—I may be entirely mistaken—the only difference between your plan and the plan of the Armours and Swifts is that you divide among more people, according to the amount of business they bring to your organization, while Armour and Swift, doing the same sort of business you are doing, in a limited way, divide among their stockholders. I would like to know where the consumer comes out on this.

Mr. GUSTAFSON. Here is the difference, Congressman. If the packers were willing to pay a normal interest on the stock invested, and were willing to pay those that are performing valuable services to them a reasonable wage for their service, and then gave the rest of it to those that furnish the business, like we do in our organization, I would not have a word to say. There is the difference, Congress-

man—and quit paying millions of dollars to advertise something in order to camouflage the business they are doing, which we do not do. I could enlarge on that, but I think that answers your question.

Mr. DEWALT. I suppose you would be willing to concede that ultimately the consumer does not benefit very much in price, but that the parties who do benefit are the members of the association, just as the stockholders of the Armour Co. benefit. The general public does not benefit.

Mr. GUSTAFSON. But we are not profiteering on the other fellow's product; we are just saving the unnecessary expenses that go on all the time; we are saving that to ourselves.

Mr. DEWALT. Yes; but saving it for whom?

Mr. GUSTAFSON. Saving it to the producer.

Mr. DEWALT. You are not saving it for me. Suppose I am a buyer. I do not belong to your association; I work in a rolling mill; I am not a farmer. I have to have potatoes, and I have to have meat. I need them just as much as you do. You belong to the organization. Yet you charge me the same price for potatoes and beans that everyone else has to pay, and at the end of the transaction I, a consumer, do not derive any benefit, but you do, because you belong to the membership of the organization. I would like to know where the difference is.

Mr. GUSTAFSON. That is local, but in a wholesale way we do save. I stated just a while ago that we were selling potatoes at Omaha at 25 cents a bushel at one time less than the other fellow, to the workmen of Omaha, to the consumers. At Lincoln we have shipped from our organization carloads of potatoes this winter, and distributed them to the consumers at a big saving.

Mr. DEWALT. That does not quite comport with what you told me a moment ago, to the effect that you maintain the market prices.

Mr. GUSTAFSON. We do out in the little local stores. And the purpose of that is to avoid unnecessary hard feeling with the other merchants in the community. And I can go further and say that the first store that we started we went on the idea that we were going to sell as cheaply as possible, and there were five other stores in the town, and one week John Brown would make a run on coffee, and next week Jim Smith would make a run on rice, the third week another one, the fourth week another one, and the fifth week another one.

Mr. WINSLOW. That helped the consumer, did it not?

Mr. GUSTAFSON. Yes; but at the expense of somebody else, and it helped only temporarily, and when we were out of the game they put back their prices.

Mr. DILLON. Have you found any bad feeling between your organization of local dealers and the hardware men, the dry-goods men, and the grocery-men?

Mr. GUSTAFSON. Oh, yes; there is a feeling there.

Mr. DILLON. Quite an intense feeling, is there not?

Mr. GUSTAFSON. Oh, I think so.

Mr. DILLON. Now, as I understand your association, the man who buys and is a member of your local association, he gets dividends in proportion to the amount of material that he buys?

Mr. GUSTAFSON. Or sells.

Mr. DILLON. Or sells. Now, if he is selling he brings you so much product of the farm. You take those products, and at the end of the year or at stated periods of time you ascertain how much he has brought in?

Mr. GUSTAFSON. Yes, sir.

Mr. DILLON. And you ascertain the amount, the whole amount brought in by all your membership, and he is paid in that proportion? Is that right?

Mr. GUSTAFSON. Yes, sir.

Mr. DILLON. Now, that local man holds stock. He is paid a percentage on that stock?

Mr. GUSTAFSON. If anything is made; yes.

Mr. DILLON. If anything is made he is paid a percentage. Now, do you place any limitation on the amount of that rate of interest that he is receiving on his stock?

Mr. GUSTAFSON. Of, the law requires that.

Mr. DILLON. You leave that to the law?

Mr. GUSTAFSON. And to the wishes of the members in the community.

Mr. DILLON. Now, I take you to your State organization. The State organization is operated by these local organizations; that is, they come first, and from the local organization they come to you, and you become a distributing agency for them? Is that right?

Mr. GUSTAFSON. Yes.

Mr. DILLON. Now, your profits are distributed back to the local organization, are they?

Mr. GUSTAFSON. We aim to do this without any profit, Congressman.

Mr. DILLON. Oh, you do not seek to make any profit?

Mr. GUSTAFSON. No, sir; only the running expense of keeping the exchange going.

Mr. DILLON. Now, if I understand you correctly, you seek to bring your products as close to the consuming public as you can?

Mr. GUSTAFSON. Yes, sir.

Mr. DILLON. If the consuming public will do the same thing you will both be benefited, will you not?

Mr. GUSTAFSON. Correct.

Mr. DILLON. Both consumer and purchaser, and by that process you will eliminate the middleman?

Mr. GUSTAFSON. We do.

Mr. DILLON. Is not that your object?

Mr. GUSTAFSON. That is what we do.

Mr. DILLON. Now, suppose you should grow into a monopoly. Would not that be pretty nearly as bad as the packers?

Mr. GUSTAFSON. I would be willing to have Congress regulate me, or to license us, or use any system they would like to use.

Mr. DILLON. You do not seek to bring everybody into your organization, do you?

Mr. GUSTAFSON. No, sir.

Mr. DILLON. It is only certain producers that are willing to join your league?

Mr. GUSTAFSON. All producers.

Mr. DILLON. So you leave everybody else in competition with your organization?

Mr. GUSTAFSON. Why, anybody that wishes to join that produces food or anything of that kind, if he is not otherwise engaged in speculative business can become a member.

Mr. DILLON. Now, in your stores you seek to cover the whole field, do you not? Twine, plows, binders, rakes, and everything of that kind?

Mr. GUSTAFSON. Everything that the farmer needs to buy; yes, sir.

Mr. DILLON. So you are in direct competition, and do compete, do you not, with the hardware people who handle binders?

Mr. GUSTAFSON. We surely do.

Mr. DILLON. And they do not like you, do they?

Mr. GUSTAFSON. They do not like us.

Mr. DILLON. Now, I want to ask you another question. What do you recommend as to the packers? I am going to concede, for the sake of the argument, that there is no real competition anywhere. What remedy would you apply to these packers?

Mr. GUSTAFSON. Why, Congressman, I believe that the recommendations of the Federal Trade Commission, as I see them, would clear the way so that it would be possible, in the first place, probably to regulate them, and in the second place, for the consumers or producers, or anybody else to go into the packing business if they so desired.

Mr. DILLON. Then, you believe in admitting openly that there is no competition and that you are going to regulate a monopoly?

Mr. GUSTAFSON. In the packing business?

Mr. DILLON. Yes.

Mr. GUSTAFSON. Oh, I do not think there is any competition; no, I do not think there is.

Mr. DILLON. Then, you believe in conceding it to be a monopoly and that you will have to regulate it by a system of licenses as the only effective way of dealing with the situation?

Mr. GUSTAFSON. Personally I believe possibly that is the best system—by regulation—and if we try that and fail we might try something else.

Mr. DILLON. Your organization would come in under the same rule, would it?

Mr. GUSTAFSON. It would be glad to; it would be glad to be regulated.

Mr. DILLON. Would you extend that principle into every activity of trade in the United States?

Mr. GUSTAFSON. Well, I do not know; I had not thought along that line.

The CHAIRMAN. You would if it got to be a monopoly, would you not?

Mr. GUSTAFSON. If it got to be a monopoly, yes.

Mr. DILLON. If there is no competition and there is a monopoly, you would extend it into every line of activity in the United States, would you not?

Mr. GUSTAFSON. If it is any business that is to the detriment of the general public; yes, sir.

Mr. DILLON. Do you recommend that?

Mr. GUSTAFSON. Why, I am in favor of trying it.

The CHAIRMAN. Mr. Dillon puts the broad question to you, if the packing business is not an absolute monopoly. This bill would include the independent packers as well as the five great packers, and I do not know that you meant to be understood that there was no competition in the packing business, as a business, but rather that there is practically no competition among the five great packers.

Mr. GUSTAFSON. Maybe I did not make that plain or did not understand you right; but I was thinking of the five concerns in the Federal Trade Commission's report. That is what I was thinking of.

The CHAIRMAN. You did not mean that the business itself is not competitive, or may not be made competitive?

Mr. GUSTAFSON. No; I was thinking of the five packers mentioned in the commission's report.

Mr. DILLON. What I had in mind, Mr. Chairman, was this: I look over all the activities of the entire country—locally and generally, everywhere—and it seems to me that there is no competition. There is not any in the lumber business, there is not any in the coal business, there is not any in governmental activities. If there is, I should like to have the witness point out where it is.

The CHAIRMAN. I did not understand that the witness was admitting that broad statement of yours.

Mr. WINSLOW. Mr. Gustafson, how long has your organization been running?

Mr. GUSTAFSON. Five years.

Mr. WINSLOW. How many constituent local companies?

Mr. GUSTAFSON. Well, in the first place, we are built up on local organizations for the purpose of education, social betterment, and so on, and we have some 1,300 of those.

Mr. WINSLOW. I am referring to the commercial organizations.

Mr. GUSTAFSON. Of the commercial, we have over 150 grain elevators and are continually getting more.

Mr. WINSLOW. How many during the past summer?

Mr. GUSTAFSON. I could not tell you the exact figures. Besides that, there was a sort of lull on account of the war, and we could not get material to build with, and things of that kind.

Mr. WINSLOW. Has the operation of those elevators been profitable during the last year?

Mr. GUSTAFSON. I think so, with the exception of one where the manager got away with them.

Mr. WINSLOW. But they were profitable just the same?

Mr. GUSTAFSON. Yes; there was money saved, but the manager got away with it.

Mr. WINSLOW. Did you say that the dividend ranged from 5 to 10 per cent on the stock holdings?

Mr. GUSTAFSON. Yes; some 2, 5, 6, 7, and 8.

Mr. WINSLOW. What has been the average earnings of all of them?

Mr. GUSTAFSON. I could not answer that question.

Mr. WINSLOW. Have you earned in excess of what you paid out in dividends?

Mr. GUSTAFSON. On the stock?

Mr. WINSLOW. Have the companies collectively earned more money than they have paid out in stock dividends?

Mr. GUSTAFSON. Oh, yes; yes.

Mr. WINSLOW. What has become of that surplus?

Mr. GUSTAFSON. That surplus is paid out on the amount of business done. First, if there is any money made, of course, we pay the stated dividend on the stock, or we call it the interest on the stock. Then we pay the expenses of running—manager, insurance, and all those things—and then what remains of the profit is divided amongst the membership on the amount of business they do, whether buying or selling.

Mr. WINSLOW. And do you maintain any surplus for wear and tear?

Mr. GUSTAFSON. Yes, sir; a small guaranty fund.

Mr. WINSLOW. What percentage of your earnings?

Mr. GUSTAFSON. That depends upon what they wish in their localities.

Mr. WINSLOW. Haven't you some kind of idea?

Mr. GUSTAFSON. I could not say. Some would probably set aside \$500 a year and some \$1,000 a year, depending on the size of the plant.

Mr. WINSLOW. You have not figured this out as yet far enough to make a comparison with any other kind of normal going business?

Mr. GUSTAFSON. No; I have not.

Mr. WINSLOW. You are a little bit shy on pitiless publicity, aren't you?

Mr. GUSTAFSON. We have not been going very strong on publicity.

Mr. WINSLOW. I know, but you are complaining against the publicity of the other fellow. What I want to find out is this, whether, when you get through running your business collectively for a year, you have made on your investment, 5, 10, 15, 20, 30, or 50 per cent?

Mr. GUSTAFSON. Oh, yes; 100 per cent, and more than that sometimes, on the investment, if you figure it that way.

Mr. WINSLOW. That is what I mean—on the investment.

The CHAIRMAN. But not on the value of the property?

Mr. GUSTAFSON. No.

Mr. WINSLOW. What is that?

The CHAIRMAN. Not on the volume or value of the business done.

Mr. GUSTAFSON. Would this incident give you any light on that question? In my own little organization at Meade the first year we were in the elevator business—we started on the 10th day of May, and at the end of the year we closed our books. We had a renter in our community who had bought one \$100 share. He received as his percentage dividend \$147. In other words, he had made his stock in 7 months and 20 days and \$147 to the good and 7 per cent on the investment.

Mr. WINSLOW. And he has to be a farmer?

Mr. GUSTAFSON. Yes, sir.

Mr. WINSLOW. Is not that class discrimination?

Mr. GUSTAFSON. I do not think so.

Mr. WINSLOW. Why not?

Mr. GUSTAFSON. Because we have been discriminated against so long we have to hold our own.

Mr. WINSLOW. That does not prove that point. You discriminate against anybody who is not a farmer. You are a close corporation. You are running it into everybody in the community who does not happen to wear overalls. Is not that right?

Mr. GUSTAFSON. No, sir.

Mr. WINSLOW. Where does the engineer of a locomotive get off with you?

Mr. GUSTAFSON. Well, he has been getting off pretty good lately; the Government has been taking care of him. But who is taking care of the farmer? Who did the Government drop onto first? They knocked a dollar a bushel off of our wheat.

Mr. WINSLOW. I am afraid that is a little irrelevant to the question. As compared with the farmer, how does any other man in the community get any good out of your operation as a public philanthropy?

Mr. GUSTAFSON. Let me tell you. In this elevator at this one particular point I am telling you of they did not all do that well, but where this \$20,000 was saved all that we had in that town was the grain elevator. Under the old régime this \$20,000 would have gone out of the town, because the owner of the elevator would have been living at Omaha, Denver, or Kansas City. Instead this \$20,000 stayed right there in that community. We had another business in that town, and a big part of that \$20,000 was spent amongst the merchants of the town. In place of going to Kansas City to be spent there, or being put in a bank, it was spent right there among the merchants and laboring people.

That place was a rickety old elevator all run down when we got it. We fixed it up. We had plumbers, plasterers, painters, and everybody else in the town, and they got a part of that business.

Mr. WINSLOW. A splendid proposition from a local point of view, but what bearing has that on an interstate proposition?

Mr. GUSTAFSON. In what way?

Mr. WINSLOW. In any way.

Mr. GUSTAFSON. Why, those are details. In an interstate way we have to buy nails. Nebraska does not produce nails, and we have to get those shipped in. We had to buy some piping and machinery and supplies which are not manufactured in our State, and they came in from other States. And the men that manufacture those things and the laboring men that produce them, they get a little more work.

Mr. WINSLOW. The cooperative system is all right. I do not object to that here; in fact, I think it is a good thing. But I think you will concede that for interstate propositions, taking the country wide, the cooperative plan is too local in its character to be established for the whole country.

Mr. GUSTAFSON. We certainly intend to spread out; we do not intend to confine this to Nebraska. Just as soon as we get started and get some of these local obstacles out the way, so we can practice our idea of business, we expect to expand.

Mr. WINSLOW. What would you regard as your fundamental legitimate business, so to speak, with reference to the interpretation of the word "legitimate" as applied to trade? I will illustrate, so as to make the question clear. You say the legitimate business of the packer is to buy cattle and cut them up and strip them and make certain by-products and then stop. That you regard as the legitimate business of the packer, according to the various expert witnesses who have been here. Now, what is your legitimate business, on that same principle?

Mr. GUSTAFSON. You stopped before he sold them, didn't you? I would let him sell them, too.

Mr. WINSLOW. Oh, yes; that is quite true.

Mr. GUSTAFSON. That is all I think he ought to do.

Mr. WINSLOW. All right. Now, what ought you to do on that basis?

Mr. GUSTAFSON. Why, we ought to purchase our meat ready for your table. That is what we ought to do as producers. We ought to produce our wheat ready to go to your homes to make bread, and we are aiming to follow it as close to your home as we can.

Mr. WINSLOW. I do not want to put words into your mouth, but would it be fair to say that your legitimate business is to buy and sell farm products from and to farmers—your fundamental and legitimate business?

Mr. GUSTAFSON. Will you state that question again, please?

Mr. WINSLOW. Yes. Will it be fair to assume that your legitimate business, so called, would be to buy and sell farm products for the farmers, members of your organization?

Mr. GUSTAFSON. Would it be fair?

Mr. WINSLOW. Would that be a fair statement as contrasted with what you say is a fair statement with reference to the packers?

Mr. GUSTAFSON. Well, I would think so.

Mr. WINSLOW. And yet you go out and sell shoe strings, sardines, elephants, and locomotives, and all kinds of things that do not have anything whatever to do with the produce of the farm. You struck out, as I understand it, in every direction. Somebody mentioned violin strings. You try to do all the commercial business you can. Is that right?

Mr. GUSTAFSON. We farmers do not buy locomotives. We do not buy elephants. But we certainly produce the material that makes shoe strings.

Mr. MARKLEY. You have bought a good many white elephants, have you not, in the past?

Mr. GUSTAFSON. Oh, we have; true. We do produce the stuff that makes shoe strings, and possibly produce the stuff that makes violin strings, too.

Mr. WINSLOW. I do not want to quibble with you; let me put it on a fair basis. Don't you buy anything at all that the farmer wants to use in his house?

Mr. GUSTAFSON. We aim to.

Mr. WINSLOW. How is that different from what Armour does? They go away from their meat-packing business which you admit is their legitimate business, and buy and sell a great line of stuff, according to a catalogue that was read here the other day. Now, you go out and do the same thing, departing from your fundamental and legitimate business, and you enter broad avenues of trade and purchase and sell anything. You probably buy kitchen stoves, or coal, or anything else if your people want it?

Mr. GUSTAFSON. Yes, sir; but here is the difference. We do not buy that in order to monopolize it or control it. Neither do we buy it for any individual members. We buy and handle those things in order to save as much as can be saved to the original consumer. Do Armour & Co. and these other people do that?

Mr. WINSLOW. I do not think that is quite the point I want to make with you, although that would be debatable. Let us come down to a commercial proposition. You buy and sell because you can buy

and sell; and Armour buys and sells for the same reason, articles that are outside of what you call your legitimate avenues of trade. Now, what difference is there? You sell for one purpose; he sells for another.

Mr. GUSTAFSON. If the farmers of the Nation could control all of this, of course then there might be a possibility of criticism.

Mr. WINSLOW. Yes; but you do not say that Armour & Co. can take the sardines that are produced in Maine and control that product throughout the United States. Every great concern throughout the country is doing that freely.

Mr. GUSTAFSON. If he is not he is trying to.

Mr. WINSLOW. That is all right, but we can not hang him because he thinks he can do it. He has got to do it first.

Mr. GUSTAFSON. We are not going to hang him.

Mr. WINSLOW. I do not seem to pick the right words to express my views to you. I wish you would explain the difference between purchase and sale by Armour and purchase and sale by your cooperative stores.

Mr. GUSTAFSON. Why, I have tried to explain it three or four times. Here is the difference: Armour & Co., and their friends, I do not know how many there are—whatever is made by them is divided on the amount of stock they hold, regardless of what they do, and ours is the other way. We pay a legitimate price for the use of the money, and the balance of the profits are divided among the producers and the consumers. There is the difference between us and Armour & Co.

Mr. WINSLOW. That is the result; that is not the purpose.

Mr. GUSTAFSON. That is the purpose.

Mr. WINSLOW. No; you buy and sell as cheaply as you can and, apparently, get as much as you can for what you sell to the outsider.

Mr. GUSTAFSON. Yes, sir.

Mr. WINSLOW. Probably that is about what Armour does.

Mr. GUSTAFSON. And that is saved to the producer and consumer.

Mr. WINSLOW. There are two systems of doing business. You like yours, and you do not like Armour's. Then, here comes in Sears, Roebuck & Co., Montgomery Ward, and concerns of that kind, and they have a sort of intermediate course, according to their claim. Do you like their way of doing business?

Mr. GUSTAFSON. No, sir; they are cutting too big melons to suit us.

Mr. WINSLOW. Yes; in other words, you do not want any body to make money except your way?

Mr. GUSTAFSON. Certainly; and why does not the other fellow cooperate and do the same thing? I do not want to make any money on anybody else's product.

Mr. WINSLOW. Well, do you sell the outside products at cost?

Mr. GUSTAFSON. What products?

Mr. WINSLOW. Dry goods.

Mr. GUSTAFSON. At cost?

Mr. WINSLOW. Yes.

Mr. GUSTAFSON. If I sell you a yard of calico at 10 cent and I find at the end of the year that that did not cost the store but 8 cents, you get another 2 cents.

Mr. WINSLOW. That is, if I am a member?

Mr. GUSTAFSON. Oh, certainly. Come out and be a farmer.

Mr. WINSLOW. I can be a farmer without going that far.

Mr. GUSTAFSON. Or a retired farmer. May I explain that retired farmers not engaged in speculative business can also be members?

Mr. WINSLOW. Take a laborer who works in the highways.

Mr. GUSTAFSON. We expect him to organize and come in and meet with us.

Mr. WINSLOW. But in buying calico at 10 cents a yard what advantage has he?

Mr. GUSTAFSON. Well, we are not entirely a charitable organization.

Mr. WINSLOW. I think you are showing that. How much cheaper will you sell that yard of calico to a street laborer than will the local dry goods store sell it to the same man?

Mr. GUSTAFSON. If he will join in the same kind of organization, or join with us, he will get the same benefits that we do. I say that we are on good terms as far as that is concerned. The laborers of Nebraska and the farmers of Nebraska understand each other thoroughly, and I am almost positive they would indorse what I am saying here this morning.

Mr. WINSLOW. I have no doubt of that; I do not mean to question that at all; but the point with me is to find the difference between your generosity toward the rest of the public and that, if there is any, on the part of the packers.

Mr. GUSTAFSON. I would not want to be compared with them at all.

Mr. WINSLOW. Well, you can not help it here to-day. You sell a yard of calico to the street workman for 10 cents a yard, and if he does not belong to your union he never gets any rebate in any form. Now Armour sells calico to wholesalers; the wholesaler sells it to a local dry goods store, and that local dry goods store in competition with you sells calico for 10 cents a yard. What better have you done for that workman outside of your own organization than Armour has done?

Mr. GUSTAFSON. Well, I repeat again that the workman must organize or the consumer must organize, and then we will talk business.

Mr. WINSLOW. That is another problem.

Mr. GUSTAFSON. I believe I said in the beginning that personally I would be willing to divide fifty-fifty in any saving that could be made with the consumer.

Mr. WINSLOW. But the fact is that you do not. You have a class organization, an organization for farmers. Certain people get an advantage, and I do not begrudge it; I am glad of it, but still the question must be brought up and there is very grave doubt about the ability of anybody to organize cooperative stores nation wide which would offer an advantage to all the people.

Mr. GUSTAFSON. I am not ready to discuss that question to-day, nation wide.

Mr. WINSLOW. You are competing against a nation-wide business, an international business, and yet you do not offer the poor fellow who digs a ditch in one of your towns, unless he belongs to your order, a single cent benefit because of your cooperative plan.

Mr. GUSTAFSON. Why should we?

Mr. WINSLOW. I do not think you should. Perhaps we are agreed without knowing it.

The CHAIRMAN. Mr. Gustafson, I want to ask you this: If I understand you correctly, representing the farmers or those that are

interested in your position, you are not asking us to do anything for the purpose of giving these farmers an advantage over Swift, Armour, and the others of the big five or any other packers?

Mr. GUSTAFSON. No, sir.

The CHAIRMAN. All you are asking is that transportation facilities like cars and stockyards which are terminal facilities and such services as public utilities perform in connection with this business shall be open to the farmers and everybody else on exactly equal terms. Therefore you think that as your concern can not even get membership in a stock exchange, as these other gentlemen are members, you ought at least to have the benefit of equal public utility service. Your organization not being able to buy refrigerator cars and not being able to build private stockyards of your own you feel that the railroads should own the stockyards and the other means of transportation and give you the same opportunity and no more. Is not that the purpose? You are not asking for any advantage over these gentlemen? You are not asking to form another monopoly in order to compete with them? You only ask equal opportunity to be served by public utilities as others are?

Mr. GUSTAFSON. Quite correct. I think I made that statement in the early part of the hearings.

The CHAIRMAN. I think the impression was made upon some of the members of the committee that you are simply forming another monopoly that is not open to everybody; but as I understand it you do not ask for any monopoly at all on the part of the transportation companies or anyone else.

Mr. WINSLOW. He must have a trade-union there, not a cooperative store. It is a trade-union.

The CHAIRMAN. I am talking about what he is asking for with reference to legislation.

Mr. GUSTAFSON. I think you gentlemen recall that I referred to that some little while ago; that all we ask is that they do not go in front of us. We do not ask them to stay behind us. All we ask is that they come alongside of us.

The CHAIRMAN. I believe you stated that your organization does not feel safe in attempting to establish a meat-packing plant on account of the existing advantages to these large packers which you can not avail yourselves of?

Mr. GUSTAFSON. I did.

Mr. HAMILTON. You admit to your organization landlords owning farms provided they are not engaged in speculative business outside?

Mr. GUSTAFSON. Yes, sir.

Mr. HAMILTON. Now, one other question. As I understood you to say in response to Mr. Winslow's question, you sell to members of your organization at cost at your stores?

Mr. GUSTAFSON. No, sir; not in the local stores.

Mr. HAMILTON. And you do not make any distinction between the members of your association and your outsiders?

Mr. GUSTAFSON. No; they buy at the same price.

Mr. HAMILTON. Then there is no discrimination in that respect?

Mr. GUSTAFSON. Oh, no; absolutely.

Mr. SWEET. Is that true with respect to the farm machinery that you spoke of?

Mr. GUSTAFSON. Yes, sir.

Mr. SWEET. You spoke about buying a large quantity of binders and that the farmers of Nebraska are buying those binders at from \$50 to \$75 less than they were being sold for in the ordinary stores in the local towns.

Mr. GUSTAFSON. Yes. Where a store is operating in a local community there are not two prices. Everybody buys at the same price.

Mr. STEPHENS. This \$50 or \$75 savings comes in the distribution at the end of the year?

Mr. GUSTAFSON. Yes.

Mr. HAMILTON. That is to say, the profits of the concern are divided up among the stockholders at the end of the year.

Mr. GUSTAFSON. And the members.

Mr. STEPHENS. Mr. Gustafson, you do not claim to be a philanthropic organization?

Mr. GUSTAFSON. No, sir.

Mr. STEPHENS. Some of the members here seem to labor under the impression that you are organized for the purpose of saving the consumer. Of course that would be absurd on its face. But you constitute 40 or 50 per cent of the consumers yourselves?

Mr. GUSTAFSON. Surely.

Mr. STEPHENS. And to the extent that you save money for those 40 or 50 per cent you are of great service to the country.

Mr. GUSTAFSON. Yes, sir.

Mr. SWEET. To that extent, and still you make the same profit as anybody else engaged in merchandising would make?

Mr. GUSTAFSON. The farmers would not be in a position to be a charitable organization at this time.

Mr. STEPHENS. Hardly.

Mr. WINSLOW. I want to ask Mr. Stephens what he thinks "Co-operative" means as applied to trade, if it does not mean a benefit to somebody, somebody inside?

Mr. STEPHENS. Cooperative is simply to benefit the people who cooperate, not outsiders.

Mr. WINSLOW. That is it.

Mr. STEPHENS. This cooperation is for the benefit of the producers and to the extent that it benefits 50 per cent of the consumers as well as the producers it is a public benefit.

The CHAIRMAN. Speaking of benefits, I would like to ask if organization does not often take place as a matter of protection rather than as a matter of personal benefit?

Mr. GUSTAFSON. Oh, certainly; it is for protection.

Mr. HAMILTON. Is there not an organization like that down in Tennessee?

Mr. GUSTAFSON. Yes, a good one.

The CHAIRMAN. The Farmers' Union.

Mr. GUSTAFSON. That is the same one.

Mr. HAMILTON. Is that like the Grange? We have the Grange in Michigan.

Mr. GUSTAFSON. Yes, sir; except that we have expanded on business lines more than the Grange has.

Mr. HAMILTON. The Grange has a store that is analogous to your store, is it not?

Mr. GUSTAFSON. Oh, I think so; I do not know how they operate in Michigan.

Mr. HAMILTON. I was rather interested to know whether you had extended the scope of your activities into Michigan.

Mr. GUSTAFSON. No; not yet.

Mr. STEPHENS. The difference between the Grange and the Farmers' Union, I suppose, is that the Grange talks about what ought to be done and the Farmers' Union does it. [Laughter.]

Mr. GUSTAFSON. To some extent in some localities; yes.

The CHAIRMAN. Right there comes in another question that seems to be not clearly understood by some members of the committee—why you should not divide your earnings with farmers who are not members of your order but simply producers and consumers of farm products. I suppose the reason is in part that they pay no dues and undertake no maintenance of the expenses or anything of that sort and therefore have no opportunity to lose anything. They are not called upon to lose anything and your organization treats them on a parity, on an exact equality, with those who do pay dues and are members. Therefore, if there is a loss the loss falls on those who pay the dues and the membership fees, and not upon those who are not members and who do not pay anything.

Mr. GUSTAFSON. Absolutely true.

The CHAIRMAN. And, therefore, there is no discrimination against them because they are treated just like all other nondue-paying people.

Mr. GUSTAFSON. All I can state, gentlemen, is that hundreds of thousands of dollars have been saved to farmers not belonging to our organization in Nebraska since we went into the same—not belonging to our organization nor even buying from us—but just in the amount of money that have been saved by them by reason of the competition we have created.

Mr. WINSLOW. Would you be willing to state why you do not like the business practices of Sears-Roebuck and like business houses?

Mr. GUSTAFSON. Because they are cutting too big melons.

Mr. WINSLOW. Not because they are making too big money?

Mr. GUSTAFSON. They make too much.

Mr. WINSLOW. Do they undersell your cooperative stores?

Mr. GUSTAFSON. No, sir.

Mr. WINSLOW. They never did?

Mr. GUSTAFSON. Oh, in some certain articles they may make a run on it, but our prices are lower than theirs.

Mr. WINSLOW. And you object to them?

Mr. GUSTAFSON. Because they make too big a profit and they do not divide up with the consumer and producer.

Mr. HAMILTON. We return to the subject of harvesters and husking gloves. You are able to sell harvesters and husking gloves because you bought them in very large quantities?

Mr. GUSTAFSON. Yes, sir.

Mr. HAMILTON. I suppose that is a good illustration of the principle that the more money there is invested in a business the cheaper the unit of production?

Mr. GUSTAFSON. We do not have very much money invested in that business. It is just a medium of exchange. A good many of those harvesters are shipped directly from the factory to the consumer.

Mr. HAMILTON. Why should they sell you harvesters cheaper than they sell other people harvesters?

Mr. GUSTAFSON. They do not sell them any cheaper to us than they do anybody else in the same quantities.

Mr. HAMILTON. Oh; I thought they did.

Mr. GUSTAFSON. Indeed, no. They could not afford to. There is no reason why they should. Like quantities sold to anybody else would be at the same price.

Mr. WINSLOW. Do they sell to every one of your branches on a different scale according to order?

Mr. GUSTAFSON. Those things are all done through our State organizations.

Mr. WINSLOW. And you distribute them?

Mr. GUSTAFSON. Yes, sir.

Mr. WINSLOW. So that your little local branch buys as cheaply as your biggest local branch?

Mr. GUSTAFSON. Not exactly. Where they buy in carload quantities it is a little cheaper than if you buy just one implement. The cost of handling the goods has got to be figured into it—and service costs money.

Mr. HAMILTON. Returning to Sears, Roebuck & Co., I understand they enter into contract with the manufacturers of certain kinds of goods that they sell to their patrons. Take kitchen cabinets—I think you know what I mean by that—and boots and shoes. I have been told that they have them made to order.

Mr. WINSLOW. They have their own factories?

Mr. GUSTAFSON. Oh, yes; lots of them.

Mr. HAMILTON. Under those circumstances I should think they ought to be able to undersell you?

Mr. GUSTAFSON. I do not dispute the fact that they ought to be able to, but they do not. I understand that they have as much as \$20,000,000 to divide in their annual meeting, and we have not anything to divide in our annual meeting. Our service is at cost in the big organization. It is the local organizations that I spoke of that are dividing the profits among their customers.

Mr. HAMILTON. That man that got his stock in a single year and \$47 besides—that was doing pretty well.

Mr. GUSTAFSON. That was in the local organizations.

Mr. HAMILTON. He was getting a pretty good slice of melon.

Mr. GUSTAFSON. No; he was not getting a slice of melon, Mr. Congressman; he was getting what he produced, what he had actually earned, what actually and rightfully belonged to him. In place of the speculator and the big grain elevator man getting it, the producer got it. That was no melon cutting or anything of the kind.

Mr. WINSLOW. Suppose he made that bonus on his purchases.

Mr. GUSTAFSON. He did not.

Mr. WINSLOW. But if he did. He could, under your system, could he not?

Mr. GUSTAFSON. I do not know how much he would have to buy.

Mr. WINSLOW. Well, say a million dollars. He would get his rebate just the same?

Mr. GUSTAFSON. He would be entitled to it.

Mr. WINSLOW. He gets a little bit of the melon in that, does he not?

Mr. GUSTAFSON. I would not call it melon; just the saving of the middleman.

MR. DOREMUS. You said a few moments ago that the Government took a dollar a bushel from the farmer on his wheat. What did you mean by that?

MR. GUSTAFSON. Something in the neighborhood of a dollar when they cut the price on wheat. Wheat was up to \$2.75 and \$2.80 a bushel and they established a price of \$2.

MR. DOREMUS. You have reference to the Government's guaranteeing the price of wheat?

MR. GUSTAFSON. Yes, sir.

THE CHAIRMAN. Congress put the price of \$2 on the wheat?

MR. GUSTAFSON. Congress; yes, sir.

MR. HAMILTON. It was \$2.20.

MR. GUSTAFSON. Not the first time.

MR. HAMILTON. No; that is right.

MR. DOREMUS. The farmers in Nebraska did not like that very well, did they, Mr. Gustafson?

MR. GUSTAFSON. I do not see any reason why they should like it, but they went ahead and produced more than ever. Did any of the packers do any better?

MR. DOREMUS. This guaranteed price of wheat also extends to next year's crop, does it not?

MR. GUSTAFSON. I understand that it contemplates doing that, although I have heard some rumors there was danger it would not.

MR. DOREMUS. I think we can assume that the price of wheat, as guaranteed, will remain on next year's crop; that there will be no change.

MR. GUSTAFSON. Yes; I think that is the understanding.

MR. DOREMUS. Suppose next year the market price of wheat is 75 cents or a dollar below the price guaranteed by the Government on next year's crop. How will the farmers feel about that?

MR. GUSTAFSON. In the first place, we have sold a lot more wheat than we generally do. In the second place, we will probably get back that 75 cents or a dollar that we lost in the beginning, and we will be even at the end of the game.

MR. DOREMUS. Next year, if that situation develops, you will not be dissatisfied with the Government's guaranty, will you?

MR. GUSTAFSON. I do not think so. Personally, I would not be. In the first place, I do not believe in a Government guaranty on just one or two articles. If we are going to have a Government guaranty, let us have it on everything.

THE CHAIRMAN. You will remember, gentlemen, Mr. Fisher gave way yesterday before he got through for the purpose of letting Mr. Gustafson proceed. Mr. Fisher is now here, and if Mr. Gustafson has finished, I would like Mr. Fisher to go ahead and finish his statement.

**STATEMENT OF HON. WALTER L. FISHER, COUNSEL FOR THE
MARKET COMMITTEE OF THE AMERICAN NATIONAL LIVE
STOCK ASSOCIATION, CORN EXCHANGE BUILDING, CHICAGO,
ILL.—Resumed.**

MR. FISHER. Mr. Chairman and gentlemen, I have occupied so much of your time that I really have hesitation in proceeding with any further discussion. I do so only because you have suggested it. This inquiry can extend further so profitably that what I shall do is

almost entirely measured by your patience and interest. I have had to spend just about as much time before the Senate Committee on Interstate Commerce, holding joint sessions with the Agricultural Committee of the Senate on this matter, as I have over here, so that between the two statements I think I must have pretty well covered the ground.

The CHAIRMAN. Mr. Secretary, we have been delighted with your presentation, and we would like for you to finish it.

Mr. FISHER. I think perhaps I may as well start by referring to the subject that was under discussion when I came in. In the first place, there is, of course, a fundamental difference between a cooperative organization and an organization operated for profit, at least so far as the people eligible for membership in the cooperative organization are concerned.

Everybody is not eligible for membership in Swift & Co. They get in by paying Swift & Co. the present value of the stock of Swift & Co., which includes all of the accumulations of the past years, all of the value of the present business built up by processes of monopoly, which, as I showed your committee the other day, they in effect concede; that is, they admit that down to 1902 they got together and divided territory and did various things which everybody now concedes to be improper and not sound from a public viewpoint. If you want to get in you pay for Swift's stock what Swift thinks it is worth.

But if you want to get into Mr. Gustafson's organization, you get in at par. There is no water in the stock. You come in, and all you get is the opportunity to share in the savings to the same extent as other members of the organization. It is to that extent a benevolent organization, and it does have benefits that do not apply to a private corporation of any kind.

I think, however, the chairman struck the nail on the head when he called attention to the fact that after all, even if we concede that the two organizations are parallel, either in whole or in part, at least they are entitled to equal treatment. At least there is no reason why, under the law, Swift & Co., Armour, Morris, Wilson & Co., and Cudahy should have the opportunity to control those agencies which we all understand to be public in character and that ought to be open to everybody on equal terms.

That is the particular point to which this legislation is addressed. All in the world that this legislation proposes to do is, in the first place, to see to it that the agencies of transportation, including the terminal facilities, are divorced from the ownership of the people who handle the commodities that are transported through those transportation and terminal agencies. It is precisely the principle of the commodities clause of the interstate-commerce law which we seek to apply to this situation. It is perfectly sound in principle. I have never heard anybody successfully defend this condition; I have never heard anybody undertake to defend it even unsuccessfully in any serious way, unless he was the direct beneficiary of it.

That is to say, it is perfectly obvious that if a common carrier is handling a product in the profit on which it is interested, and is also performing service for products in which it is not interested, the service will be so handled and manipulated in the interest of its own product that that product will get an undue advantage over its competitor. The same principle applies to the ownership of stockyards and terminal facilities by the large packers, whose competitors must

depend on these facilities. They should be owned and operated in the general public interest. So should the stock and refrigerated cars and refrigerated storage terminals.

Now, that is all there is in this bill, with one exception, and that is that we recognize the fact that in the case of the packers they have confessedly established a practical monopoly. That is to say, they have established such a preponderant influence or position in the trade that they substantially control it, or are in a position to do so. As I showed you the other day from the statistics of the Federal Trade Commission that the five large packers controlled 95 per cent of the stocks of refrigerated beef in storage during the year 1916—within 5 per cent of the total. And while they do not control more than, say, two-thirds approximately—from that up to seventy-odd per cent—of the dealings in interstate commerce in pork products, they control away beyond that in beef products and in mutton. The reason they do not control so large a percentage in pork products is because pork products are more easily handled. They can be salted or pickled, and they do not require the same degree of refrigeration. They are largely cured or salted, and the result is that they can be transported in the ordinary ways, and they do not require the same amount of refrigerated storage.

Mr. ESCH. And there are fewer by-products?

Mr. FISHER. There are fewer by-products to be handled, although there are a few in the pork business. But what I think ought to be considered there is this: The utilization of the by-products entirely independent of the mere slaughtering of the animal—there are a few of the by-products, for instance, the products derived from blood, hemoglobin, and some pharmaceutical preparations—which may perhaps have to be handled right at the point of slaughtering; but nearly all these by-products could be derived if the animal were slaughtered nearer the farm or ranch and the dead, inert product transported to some place where it could be properly worked up. You might have to devise processes of tankage or some chemical treatment, or carry the materials through some of the preliminary stages; but there is a very great question on the part of students of this subject as to whether or not one of the fundamental evils is not the transportation for these enormous distances of these live cattle on the hoof. They always shrink, there are always a great many accidents and deaths, and, of course, it is more difficult to transport them. You can not load the ordinary cattle car as you could load dead freight.

As a result, there are many people who think the thing to do is to encourage methods by which the slaughtering will be done over a much wider area, in smaller units, and then have a greater concentration in the shipment of the dead, inert product.

To bring about such a complete change would be a slow process. All you can do is to establish agencies under which that system will have a chance to work itself out in competition with the existing system. We can not create it by legislation, but we can at least put a stop to those influences which permit this concentration. Why, since the war started Morris has secured the control of the New Orleans stockyards. The process of concentration is going on right under our eyes. These men that are supposedly, and as they claim, competitors in the United States are absolutely interlocked, by con-

fession, in the joint ownership and operation of packing plants and other establishments in South America.

Mr. WINSLOW. Will you kindly state who owned those New Orleans yards? I mean before they were purchased.

Mr. FISHER. I could not tell you.

Mr. WINSLOW. Were they private yards? They were not railroad yards?

Mr. FISHER. No, sir.

Mr. WINSLOW. Are there any railroad yards anywhere?

Mr. FISHER. None of any consequence of which I have any knowledge.

Mr. BURKE. Not at any central market.

Mr. FISHER. That is what I mean.

Mr. WINSLOW. I mean terminal yards.

Mr. FISHER. I do not know of any of any consequence owned by a railroad company.

Mr. WINSLOW. Is there any railroad storehouse terminal provision established anywhere for people who receive goods in carload lots?

Mr. FISHER. I could not say whether there is or not. There may be none, but that is no reason why there should not be. I do not know, Congressman. You will remember, in the history of the Interstate Commerce Commission the large shippers urged in the beginning that the shipper in carload lots was entitled to a lower rate than the shipper of less than a carload, but the Interstate Commerce Commission was able, early in its history, to see how injurious that would be to the industry of the country, that it would constantly tend toward concentration.

I have referred to this matter of cooperative organizations as compared with private organizations, and the terms on which you can get in, and you may be interested in a matter that was brought out at the hearing over on the Senate side the other day. You were interested here the other day in the profits being made by these packers now as compared with past years. Mr. Burke, I believe, gave you the only statistics for the year just ended, which were then available, which were from Cudahy & Co. While you were in session here the newspapers contained the notice of the annual report of Swift & Co., in which it was reported that after the payment of the excess profit and income taxes, for which they had set aside \$11,800,000, they still had left an amount of profits which amounted to 13.4 per cent on their capitalization, or outstanding stocks and securities.

The CHAIRMAN. Twenty-one million dollars and something.

Mr. FISHER. Twenty-one million dollars, plus the \$11,800,000 which had been set aside. In other words, we have got around to a situation where they are seeking to create the impression that if you compare their profits this year with their profits last year, they are not making any more or a little less, or, at all events, not very much more. But they arrive at this result by first paying all their taxes, or setting them aside—\$11,800,000.

Mr. HAMILTON. I am under the impression that you covered that in your last remarks, Mr. Fisher.

Mr. FISHER. Did I? Very well. Did I read you the item from the Chicago Tribune with regard to the Swift stocks?

Mr. ESCH. You read that yesterday.

Mr. FISHER. Then let me call your attention to the advertising campaign of the packers. I have referred to that before, but perhaps you will be interested in noticing this advertisement by Swift & Co., a full page, in the Saturday Evening Post. You gentlemen, perhaps, have heard a little about what a full page in the Saturday Evening Post costs.

The CHAIRMAN. Well, before the war. We do not know what it is now.

Mr. FISHER. This is headed, "Why is the price of meat so high?" And then they go on to discuss the reason, and they say that during the past four years cattle prices to Swift & Co. advanced 74 per cent, whereas the price received for beef by Swift & Co. has advanced only 61 per cent during the same period. However, in their annual year-book I note this interesting statement:

Although the wholesale prices of meats have necessarily gone up with live-stock prices, the increase has not been relatively as great. This is due principally to the greater value of by-products, which has made it possible for us to pay higher and higher prices for live stock and not increase our prices for dressed meats proportionately.

I wonder who it was that furnished the steers from which they got those by-products? The producer has never been able to understand why the argument should be made that because a part of the animal is sold at such and such a rate that the packer is therefore entitled to take the hides and hoofs and the horns and go off and make enormous profits on them, and ignore these profits when he asserts that the producer has had a 74 per cent increase when the packer has only got a 61 per cent increase on dressed meats. What about the packer's increased profits on hides and by-products derived from the producer's steer?

Mr. HAMILTON. They make the argument that their margin of profit on certain parts of the animal; that is, meat, etc., per pound, between them and the retailer, is very small indeed, and that they would not be able to sell at that margin of profit if it were not that they were able to make something out of these by-products? They also include in these by-products certain glands and other parts of the animal; am I right about that?

Mr. FISHER. They make that argument.

Mr. HAMILTON. I say, that is the argument?

Mr. FISHER. Yes; but they go very much farther than that, Congressman. They even seek to discriminate between the hide and the meat. You do not hear anything about hides in that advertisement, do you? You gentlemen are conscious of what has happened in regard to leather in the United States. You know something about what happened in hides.

An interesting thing that will come out in connection with the Federal Trade Commission's reports is the statistics in regard to the packers' interest in the hide and leather business. And let me read an item which appeared in the press, just incidentally. These things very seldom get out, but one of the packers, without giving his name, has recently acquired the ownership of a little \$6,000,000 tannery. So it goes.

As long as we are going to let people make as much money as they can by processes or means that do not violate the law, all well and good, but—

Mr. HAMILTON. Can you tell about what—

Mr. FISHER (interposing). Just pardon me.

The CHAIRMAN. He said "but." Let him say what he had in mind.

Mr. HAMILTON. I want to ask just this question. Mr. Fisher will not object, because he is referring to hides. Can you tell about what the average farmer would get for a hide from an average steer, and what the packer would get from that hide when tanned?

Mr. FISHER. Well, I can not give you the figures.

Mr. HAMILTON. Can you give somewhere near the figures?

Mr. FISHER. Unfortunately I did not bring them here. The Secretary of the American Live Stock Association has made a special study of the hide question, and has issued statements and made representations to the Food Administration and the War Industries Board on that subject.

One of the great abuses is the discrimination made between what are called "packer hides" and "country hides"; that is to say, the argument is that the packer knows how to take off his hide more skillfully than the ordinary butcher or slaughterer in the country does, and that he takes care of it more carefully; that therefore packer hides are worth a great deal more than country hides, and there is a differential maintained. Well, the difference is maintained between all country hides and all packer hides. It does not make a bit of difference how much skill and care and attention the small butcher, the farmer, or ranchman in the country has exercised in the preparation of his hides, if he comes forward with a lot of hides which he is able to demonstrate are just as good as the best hides that the packer ever produced in his history, they are classed as "country hides" and he gets the lower price, and the leather people and the hide people take it out of him. The small slaughterers and farmers are not in a position to protect themselves as are the packers.

I am not now discussing the producers' organizations, for instance, the cooperative organizations, but if they ever develop into monopolistic combinations I would not say they might not do things of much the same character as the packers' combination. But I am saying that when the producers' organizations or the packers' organizations get to a point where they sufficiently dominate the industry so that they can take advantage of their competitors, it is time for Congress and the country to decide what they are going to do about it, and their choice is limited to the three things that I mentioned before your committee the other day. We can either undertake to tear down the existing combination and restore competition or we must regulate the business or have the Government go into the business itself.

There are a great many people in the United States who look with dread upon the idea of the Government going into any of these businesses, and the country at large wants to have the theory of competition and the theory of regulation exhausted before the public ownership is adopted. But, if so, then we must really go in good faith to the application of the principle of competition or the principle of regulation.

I say to you that I think now, gentlemen, if you are apprehensive of the effect of Government ownership you will do more to precipitate the country into that policy by failure to do everything you can to restore competition, to make competition possible, or to regulate

monopoly where monopoly exists than any other thing that can be done. By failure to do the kind of things that we are asking you to do in this bill, or in some bill of this general character, because I am not wedded to this particular bill. I do not care what the bill is so long as it meets these fundamental evils and provides a method of overcoming them. Senator Kendrick has introduced a bill in the Senate that in certain respects or features is, perhaps, superior to the present bill; at all events it meets one objection found in the Kenyon bill, and which I apprehend exists in the bill here, namely, that it is not provided as to what the license when it is issued shall require; it says that the President may issue the license, but it does not put up any standards or requirements. Senator Kendrick's bill, in section 5, lays down certain principles to be covered by the license:

That no licensee, under section 2 of this act, shall (a) engage in any unfair, unjustly discriminatory, or deceptive practice or device in commerce; or (b) charge an unreasonable price or rate in commerce.

And so on.

Mr. DOREMUS. May I ask a question right there?

Mr. FISHER. Yes.

Mr. DOREMUS. Under Senator Kendrick's bill would it not be possible for the Government to prevent the packers from going into the tanning business?

Mr. FISHER. Senator Kenyon's or Senator Kendrick's bill?

Mr. DOREMUS. Senator Kendrick's bill.

Mr. FISHER. Senator Kenyon's bill is just like Congressman Sims's bill; it is an exact copy, I think.

Mr. DOREMUS. I had reference to this bill.

Mr. FISHER. This bill? It would not prevent them from going into that business.

Mr. DOREMUS. How could we do that?

Mr. FISHER. Well, the only way you can do that, that I know of, is to pass a law which would provide that no person could engage in interstate commerce who combined the packing business with the handling of food products not derived from live stock or the slaughter of live stock.

Mr. ESCH. The commodity clause idea?

Mr. FISHER. Well, under the commodity clause it would be different. The commodity clause prohibits the owner of a public utility from having a financial interest in any commodity transported by the utility. But what Congressman Doremus has in mind, as I understand, is that he proposes to prohibit the packers from engaging in the handling of rice or poultry, eggs, and butter.

Mr. DOREMUS. That is my proposition, exactly.

Mr. FISHER. You would confine the packers to the one business?

Mr. DOREMUS. Do you know of any legislation that is pending in Congress which would empower the Government to exclude the packers from these side lines that you have just mentioned?

Mr. FISHER. I do not know that any of the bills that I have seen prohibit that.

Mr. DOREMUS. If that is true, is any of the legislation pending going to be adequate to meet the immediate situation?

Mr. FISHER. I have hoped it would be accomplished, Mr. Congressman in this way: It is claimed by the packers that there is a certain fundamental economy in permitting them to utilize their cars

and storage facilities and sale force in handling other food products, and that that is an advantage to the community.

My notion of it would be that if you could put the entire business of the packers, including this collateral business under regulation and license and under a proper system of accounting, prescribed by Federal authorities, with publicity, it might be found that some way could be devised by which that economy could be utilized without danger to the public. We would know much more about it than we do now. The difficulty now is we do not know how the business is carried on. We do not know, for instance, whether beef if kept down to 61 per cent increase as is stated in their advertisement merely by shifting the costs of carrying on the business from other articles to beef so as to make the margin different.

Mr. DOREMUS. It has been held out to the committee since this investigation started that unless the packers were in some way restrained it would only be a question of time when they would absolutely control the food products of the American people?

Mr. FISHER. Yes, sir.

Mr. DOREMUS. By this system, they have incorporated everything in that industry and the other industry and still another industry. As I say, that has been held up here as one of the chief dangers against the American people unless something is done to restrain this practice; and you do not find anything in this bill or in any of the bills that are pending that would empower the Government to curtail these outside activities on the part of the packers?

Mr. FISHER. I find nothing in this bill that authorizes the Government to prohibit them from going into these other lines. I do find in the Sim's bill the provision that they are to be put under license; there is a special reference to that in the Sim's bill.

Mr. DOREMUS. If we pass this bill in its present form it would not authorize the President, or whoever issues the license, to dictate to the packers any particular business they could engage in, would it?

Mr. FISHER. It would not; it would only put their entire business under license or regulation.

Mr. DOREMUS. To that extent does it not fall away short of meeting the danger that has been pointed out?

Mr. FISHER. The conviction, I think, is that one of the principal reasons why the packers have been able to go into these side lines and acquire so rapidly this hold on the side-line businesses has been their control over these agencies of commerce. They have taken a private car and loaded it full of a variety of products—at least they used to do so; and the conviction is that it is the preferential position they occupy with regard to public facilities that enables them to get the advantage of those who have not got such a position.

It may be found that that does not go to the root of the difficulty at all, and it may be found, Mr. Doremus, that you will have to go to the full distance that you imply in your question—that is to say, that you will have to prohibit—while you may not limit the size of an enterprise in a certain line of business, that you will at least prohibit the same enterprise from engaging in a large number of lines of businesses and thereby tending constantly to the concentration of power and profit in a few hands.

Mr. ESCH. But do we not use that same principle in the commodity clause in reference to the common carrier? We practically tell the

common carrier: "You shall not deal in coal, save sufficient for your own use."

Mr. FISHER. We do that.

Mr. ESCH. So the principle has already been established in governmental legislation.

Mr. FISHER. It has to some extent, perhaps, Mr. Esch, but the real reason that you tell the common carrier that is this: You say, "You are, as your name implies, a common carrier. You hold yourself out as a carrier of all commodities of the class that you handle at all to any shipper in the community. That being so, you, yourself, must not become a preferential shipper." The carrier is operating what we call a public utility.

While that may involve this principle we are discussing to a certain extent, it certainly falls very far short of the proposition that we shall say to the packer, who is not conducting a public utility, "You shall not engage in any business other than the packing business or the products of live stock." That is certainly a much further step than the commodity clause.

Mr. DOREMUS. Take this situation: It has been developed in the course of this investigation that the packers have gone into the business of manufacturing and selling those substitutes for lard. I think every one will concede that lard is a legitimate by-product of the meat-packing industry. But we have been led to understand that they are gradually absorbing this other field—the manufacture and sale of the substitutes for lard—and that eventually, unless that practice is restrained, the consumer will have no choice, he will have to buy of the packer whether he buys lard or whether he buys the lard substitutes. Do you think a packer ought to be permitted to make these substitutes for lard?

Mr. FISHER. Well, my natural predilection is against permitting him to do it. I can not say that I have reached a final conclusion in my own mind that would lead me to favor an absolute prohibition of it. But I have reached this conclusion clearly, that if he is to be allowed to do that he must be put under regulation.

Mr. DOREMUS. You would use the sort of regulation that would insure competition?

Mr. FISHER. No. I am not sure you can insure competition by any process of mere regulation. I am talking about the sort of regulation that will limit the profits and compel him to sell at a fair price. The difficulty with that, of course, is that it leads inevitably finally to a determination of prices.

Mr. DOREMUS. Congress ought not to hesitate to do the right thing, no matter what it is. Now, the question is to determine, if we can, what is the right thing to do. Now, is it right for these people to engage in this sort of practice?

Mr. FISHER. Personally, I am not prepared to say that I should favor a law that directly and absolutely prohibits it for this reason, Mr. Doremus: It might be advisable, but I do not believe you get anywhere—maybe you get somewhere, but you do not get very far, because unless you go much further and prohibit the owner of Armour & Co., or the holder of stock in Armour & Co. from owning stock in a corporation which is engaged in handling these businesses, you will find right away that the form will merely be shifted and that there will be a subsidiary corporation, and Armour & Co. will

not handle it, but the X Y Z Lard or Butter Co, or Lard Substitute Co. will be handling it, and that the same people will control and dominate the two corporations. Unless your law prohibits that also you will not have made any great progress.

Mr. STEPHENS. But if you did attempt to prohibit you would certainly differentiate between the ownership of the raw material, for example? I can see how there is no connection whatever between the manufacture of artificial lard or going into the fish business, or some other remote industry, wherein the packers do not own the raw material. But, for instance, in respect of going into the tanning business, the packer owns the hide. It does not seem to me to follow or be logical at all for the packers to go into the tanning business because they own the raw material, and certainly they could manufacture leather more economically owning the raw material, probably, than somebody else could.

Mr. FISHER. I doubt it. I think that in all of these enterprises you come to a point where size becomes an economic disadvantage.

Mr. DOREMUS. Will you pursue that just a little further, Mr. Fisher? I represent a district of about 500,000 people. They all eat food instead of producing it. What is there in this bill that will benefit these 500,000 people in my district?

Mr. FISHER. Why, a great deal.

Mr. DOREMUS. I would like to have you develop that.

Mr. FISHER. In the first place, let us take the license itself. Your people in your district will be benefited by the regulatory control of the Federal Government over the prices and practices of the packer. That is to the advantage of your district at once.

Mr. DOREMUS. Right in that connection, if this bill should become a law, will the natural tendency be to increase or decrease the price of live stock?

Mr. FISHER. The natural tendency will be to decrease it.

Mr. DOREMUS. Decrease it?

Mr. FISHER. Yes, sir—you mean the price of the live stock to the producer?

Mr. DOREMUS. No; the live stock.

Mr. FISHER. You mean the price paid to the producer?

Mr. DOREMUS. I beg your pardon.

Mr. FISHER. You mean the price paid by the packer to the producer?

Mr. DOREMUS. Yes.

Mr. FISHER. My judgment is that the ultimate effect of it will be to decrease that price.

Mr. STEPHENS. You do?

Mr. FISHER. I do.

Mr. STEPHENS. Then, do you expect the people of this country to be for this bill?

Mr. FISHER. I do; because I think the ultimate effect of it will be to enable the producer to produce his stock in greater quantity and at a less cost of production. I think one of the great difficulties is this immense fluctuation in prices, that tends all the while to retard and diminish production.

The CHAIRMAN. And it unstabilizes it?

Mr. FISHER. And it unstabilizes it and makes it uncertain, and increases the cost of production.

Mr. DOREMUS. You think the general effect of this legislation, if it becomes law, will be to reduce the price of live stock to the man who produces it?

Mr. FISHER. I think that, as a matter of fact, the tendency will be to reduce the ultimate price paid for live stock.

Mr. STEPHENS. Then the producer could not be benefited?

Mr. FISHER. Of course he will be; he is interested in the——

Mr. STEPHENS (interposing). Then I want to know——

Mr. FISHER. Just a moment [continuing] he is interested solely in the difference between the cost of production and the price he gets, and if he gets only half the price but makes a larger margin, he does not care what the price is.

Mr. STEPHENS. Certainly not; but I can not see how this legislation is going to assist the farmer to produce his stock at less cost.

Mr. FISHER. Suppose the cost of care and feed which the stockyards furnish are reduced.

Mr. STEPHENS. That is a small matter.

Mr. FISHER. It is a small matter, and therefore I have used it purely as an illustration. Let us suppose that it effectuates the establishment of an economic system which will permit the cattle to be slaughtered nearer the farm and ranch, will not that reduce the cost of production to the producer? Remember, the cost the producer gets is the cost in the St. Louis market, after he has shipped, and he pays the freight. To the extent that he can reduce the cost to him of landing the animal on the central market and disposing of it, he has helped to reduce the cost of live stock to the consumer, has he not? He has reduced the price that is necessary for him to get in order to make a fair profit.

Mr. STEPHENS. We can hardly expect, Mr. Fisher, to have cattle slaughtered any closer to the range than Omaha, Denver, Dallas, Wichita, and Kansas City?

Mr. FISHER. Why, of course you can; and you can increase the proportion that is slaughtered there, and you can slaughter them much nearer the source of production. I do not know whether it was here or in the Senate that Mr. Burke told the committee about the situation in Denver. Why are the relatively abnormally large amounts of cattle being shipped to Denver, and shipped from there out through the country to the other markets? Because the slaughtering facilities in Denver are not equal to the live animals on the market.

Mr. ESCH. But if, Mr. Fisher, the slaughtering is done nearer to the point of production, then the finished product would have to have a longer haul to reach the consumer?

Mr. FISHER. Yes, sir.

Mr. ESCH. And the freight on the finished product is a good deal higher than that upon the live animal. That affects the consumers' price.

Mr. FISHER. That happens to be so because the railroads put it on the finished product because they think it will stand the freight rate. That is a mere matter of adjustment. The railroads charge what they want to charge. So far as it is not necessary to refrigerate these products, it is perfectly evident that they can be shipped and transported so far as the actual cost of transportation is concerned, by the carrier at a less rate than the live animal.

Mr. STEPHENS. Mr. Fisher, there is no relation whatever existing now between the price of the live stock and the cost of it?

Mr. FISHER. No.

Mr. STEPHENS. And there never has been any relation?

Mr. FISHER. Never.

Mr. STEPHENS. And the farmer is on a different footing from what the producer of a manufactured article is. He is charged for the raw material. The manufacturer charges overhead and all expenses and fixes the price, and he has got to sell at that price or go into bankruptcy, one or the two. But the farmer comes in with his steer, and he has the overhead and the original cost of the animal; but he has nothing to say about the price he gets for it. I can not see how he is going to get any relief from the situation unless there can be some sort of a marketing regulation that will be able, in a measure, to establish a price that bears some relation to the cost of the product, and I can not see very much in your statement that this legislation is going to reduce the price that the producer is going to get which has, before the war came, been so low that the production of live stock has constantly decreased per capita for 20 years.

Mr. FISHER. Nevertheless, it is my conviction that that will be the effect of it. I do not think it will diminish the farmers' profit; on the other hand, I think it will stabilize and insure profit. But I think the result of a sound economic policy will be to reduce the cost paid for the raw material just as it will the cost of the finished product.

Mr. STEPHENS. You said it would reduce it below what it is.

Mr. FISHER. You mean prior to the war?

Mr. STEPHENS. Yes.

Mr. FISHER. Oh, I see what you have in your mind. If the question is, Do I think it will reduce the cost to a point lower than it was before the war?

Mr. STEPHENS. No. I meant that he was producing cattle below cost before the war and constantly decreasing production as a result of it. Now, then, if this legislation is not going to encourage the producer to produce more cattle, it is not going to do any good.

Mr. FISHER. Of course, it will. What I am saying is this, Congressmen: That under a sound economic system, by which the market will be free and open and, if not free and open, under effective, intelligent regulation, that the cost of production—that is, the cost paid for the raw material, the live stock on the hoof—will, when the system is thoroughly established and in effective operation, be lower than if you do not establish such a system, not lower than it will be under the past system.

At times in the past the producer has made large amounts of money; at times he has had heavy losses. The Federal Trade Commission's report shows the statistics of the actual losses of large sections of producers at certain times when the packers were manipulating the market, so that many of them actually lost their farms.

I am not talking about prices now as compared with prices then. I am saying to you that, at a choice of conditions, under a sound economic system by which you would handle this business on that method which is, after all, the best adapted to the business, the price paid the producer will be less than the price the producer will have to be paid under a marketing system that is economically unsound.

Mr. STEPHENS. You believe that by the elimination of that control it will greatly benefit us all in eliminating this waste?

Mr. FISHER. Surely.

Mr. STEPHENS. And by saving that waste both to the consumer and the producers—and I believe that is exactly true, and I believe this legislation will produce the results. But I do not believe, with you, that it will reduce the price to the producer.

Mr. FISHER. The price the producer will have to get and yet make a fair profit on his product will be lower under a sound economic system than it will be under one which is confessedly unsound, as the present one is.

But to go on to the consumer in Congressman Doremus's district. The next question is, Will this bill help the consumer in the distribution of these products? Why, obviously it will. If there is anything at all in the principle that competition tends to help the community by constantly reducing prices, so that if one man asks more than he ought to and the other fellow is willing to sell for less, and yet be satisfied with his profit, the man who sells for less is going to bring the market down to that level. To the extent you introduce competition it is clear you are going to help the consumer.

If you do not succeed in getting competition and you have to depend on regulation under the license clearly it is going to help the consumer, because you will be able to prevent excessive profits.

I discussed with you here the other day the operation of the present license with this system of class 1 and class 2 and class 3. Of course, we have got to have a better license than that, better regulations than that. But assuming that we do get effective regulation and publicity we will be able to tell whether or not the packer is, as a matter of fact, all things considered, his entire operations taken together, making undue or extortionate profit, and if he is we will be in a position to cut him down; and clearly that helps the consumer.

But not only that, the consumer is now claiming that he is paying high prices; he feels that he is paying unnecessarily high prices. But even these unnecessarily high prices do not produce an abundance of food, do they? There is a scarcity. Even before the war we had no such superabundance of meat and meat products as we ought to have had in this country. If we can introduce methods both of production and of marketing under which the cost of production can be kept down and the amount of production be increased, the consumer is certainly going to be enormously benefited by it. If, as I said here the other day, there is any country on the globe where there ought to be a superabundance of wholesome food at a fair price, it is in the United States of America. We do not have it under the present system, and one reason we do not have it is that the producer does not feel that he has got a fair show in the market. You have got to remedy that. You have got to restore the confidence of the producer in the marketing processes before you can stimulate production as it ought to be stimulated.

Every now and again I have talked with these producers, and I have had men who are themselves educated men, who have been in the business for years and who have said that they hesitated to tell their sons or their friends or the sons of their friends to go into the cattle business. Why? Not because they themselves had not made money. They had. They had become financially independent. But they said that it did not seem to be a business for an independent American to be engaged in. They did not like to be in a situation where they were not free to weigh for themselves the economic conditions and be able to say, "We think this is a year to enlarge production, or we

think this week or next month is the time to ship"—where conditions are such that they feel, after exhausting their best judgment, that nevertheless they ship their live stock into a market where the heads of five concerns tell them what they will pay for it. In many instances it is only one concern, in others only two concerns, as at Denver, where they divide the business admittedly "50-50." They feel even when making a satisfactory profit they are making it by the grace of the packers, and the cattle business under these conditions does not appeal to them as being a business for an independent, virile American. I know that that advice has been given to young men in connection with the live-stock business, and that is one thing you ought to get rid of, sir. It will help the consuming public exactly as it helps the producer, because you will get more independent, capable men in the business.

As to scientific methods, the statement was made in regard to the producers not knowing the cost of production. That is not true, entirely. There are men in this business who keep cost account systems just as intelligently as any manufacturer. They are not so largely men engaged in breeding as they are men engaged in feeding. It is a simpler matter in the feeding business, because the feeders start with the cost to them of the undeveloped animal, and from that time on they can measure feed and care and carrying charges on their plant and the other things that go into cost of production. But even breeders, many of them, are undertaking to establish cost accounting systems, so that they can have an accurate idea of what their stock costs. I know that during the war Mr. Hoover and the Secretary of Agriculture were told that if they wanted to go into cost accounting so that they would know what it costs to produce live stock, and therefore could have some accurate knowledge of the prices that ought to be paid and the margin of profit that ought to be allowed, so that the Food Administration could act intelligently, they could take the plants of successful men in this business and operate them, and operate them themselves or operate them through the men who had been operating them, just as the departments wanted to do. They could take them for the interest on the investment, or take them on any other basis they thought was fair, and that the American National Live Stock Association would undertake to see that they could get enough plants of that kind to be a fair test of production through the great West. It was not done. Why? The reason given was that the departments were not equipped to undertake a task of that kind, and that they were so swamped with the emergency measures that they had to proceed more on the by and large principle and get over as best they could; that we had an emergency and that they could not stop for that sort of thing.

So these rather crude methods—crude in the essential of being not very carefully adapted to the actual facts—were adopted; and we have gotten by, and we have managed to supply ourselves and our allies well in spite of some privations that have been suffered.

Mr. DOREMUS. I intended a few minutes ago to call attention to that statement you made yesterday in which I think we all agree, that in this country, of all countries, there should be an abundance of food, and I gathered from the argument you have been making that in your opinion this bill, if enacted into law, will have a tendency to increase production.

Mr. FISHER. I do, sir.

Mr. DOREMUS. And, of course, if it has a tendency to increase production, and the law of supply and demand is permitted to operate, it will result in reduced prices to the consumer?

Mr. FISHER. Yes, sir. It will result in two things—increased supply and lower prices. But, Mr. Doremus, when you get through with it—I am saying a lower price, and when saying that I mean lower than it would be if you do not put such a system into effect, because we might as well all of us realize that we can not lift ourselves by our boot straps. In the last analysis we can neither get low prices nor adequate production unless those who engage in the process of production and distribution in an efficient manner, or sound economic lines are assured of a return which will induce them to continue in the business. That is axiomatic. We can not get beyond that. But, to the extent that our methods are sound, we reduce the waste and the loss and we increase the stimulus to production.

Mr. DOREMUS. In order that you may understand my position, I want the cattle producers out in Mr. Stephens's district to get a fair return on their business; I want the people who live in Detroit to be enabled to pay a price for their food which bears some relation to the price that the cattle raiser in Mr. Stephens's district gets for the live stock. Will this bill have the tendency to bring about that sort of a condition?

Mr. FISHER. It undoubtedly will, Mr. Doremus. It will certainly have a tendency to restore competition, will it not? Let us not stop to measure the extent of that tendency; but it is perfectly clear, is it not, that if a man thinks he would like to try his luck at the packing business to the extent which you can assure him that he can go to one of these stockyard cities and secure exactly the same kind of treatment at that stockyards that his present existing competitor gets, but now owns it but will not own it then, if this bill is enacted, to just that extent you are going to encourage potential competition, are you not? You may say, "Maybe we will not get very much," or you may think we will get a good deal. It will certainly tend to encourage competition.

So it is with the refrigerator cars. To the extent that you make it possible for a man to engage in the packing business without having to own a fleet of refrigerator cars, but being able to get those refrigerator cars of the common carriers of the railroads on equal terms with the packers, to that extent you are going to stimulate competition; you remove an obstacle which he otherwise would have to overcome; you reduce the amount of money which he otherwise would have to have in the way of invested capital. And, as the Interstate Commerce Commission itself pointed out in its report on the private car lines, so far as the shipper is concerned, it makes a great difference to him whether he can go to a common carrier and get rolling stock on exactly the same terms that a competitor can, or whether he has to buy it himself or get it incidentally from a competitor.

To that extent you are going to encourage competition. So that upon the theory of competition you are certainly tending to produce the result that we are aiming at, Mr. Congressman.

Let us take it on the other hand: To the extent that you fail to encourage competition, to the extent that you find that circumstances are too stubborn for you, the past concentration of the industry, the community of financial interest, the habit of cooperation of the five large concerns with each other, induced through their past his-

tory and their present investments jointly with each other in other enterprises in this country and abroad—if you find that that situation is too strong for you, you have but one remedy, and that is regulation. And to the extent that your bill provides for regulation under a license, you will have improved the situation there.

Mr. DOREMUS. Is it not true, probably, that you have only got two remedies? You do not think it is possible to restore competition, do you, in its full sense?

Mr. FISHER. I am a bit discouraged about it, Mr. Congressman.

Mr. DOREMUS. You do not think it is possible for the Government to inaugurate legislation that will restore competition among all these packers?

Mr. FISHER. I do not know.

Mr. DOREMUS. They will find some way to get around the law, will they not?

Mr. FISHER. I do not know. I am encouraged only by one thing, and yet I may not be justified in that. In the farm implement business it looks to me as though the situation in the harvester and farm implement business contains some encouragement; that is to say, the evidence produced by the International Harvester Co. in its trial seemed to demonstrate that competition had actually increased, notwithstanding the growth of the International Harvester Co.; I mean that the amount of independent concerns and the volume of independent business had, as a matter of fact, increased.

We find that they have now voluntarily taken away their foreign business and that they have divided the domestic business by cutting off some of it. From such information as I have it looks to me more like a bona fide division of interest and creation of possible competition than I have seen in the oil business or tobacco business. I may be wrong, but it may be that the hammering of the courts and the commissions and the constant tendency of legislation has convinced some of these concerns that have tried to advance their financial interests by consolidation that it does not pay; that temporary success is followed by a popular agitation and that in the end they have not made any progress, or they may have made a loss, and I am not entirely without hope that we can do something toward the restoration of competition. But it will only be in the event that all those things which give to a large aggregation of capital a preferential situation over smaller aggregations of capital are removed, and effectively removed. We must put an end to sham work that has been done in that direction.

Mr. STEPHENS. The difference, however, between the packing industry and the live-stock industry is quite marked in the nature of the two businesses. The manufacturer of farm implements can start up anywhere, but the packers must all assemble at the markets where the cattle are concentrated, and therefore they are easily combined, they are easily drawn together in agreements?

Mr. FISHER. Mr. Congressman, I am not at all satisfied that any case has been made out for the packers of efficiency and economy in operation due to their size. I believe that the scientific methods of utilizing by-products which have been introduced undoubtedly operate in the direction of efficiency and economy. But I am yet to be convinced from any study I have been able to make of it that a competitor, having reached a certain size large enough to enable him

to be an independent and self-sufficing unit, can not operate with entire success as against the other fellow if the bigger man is deprived of unfair advantages; that is to say, I believe there is a field for smaller manufacturing units in the packing business.

I happen to know of some that have been established in the past; for instance, I heard the story—it was testified to before the congressional committee in the Borland hearing—in relation to an East St. Louis packing concern. They got it into successful operation, and they were making money. They had as their sales manager a man in the East who had been in touch with the wholesale trade, and was able effectively to put the packing house in touch with the market; and they were going along fine when a representative of one of the big packing concerns came and said he would like to buy it, and he was told they did not care to sell. Well, considerable pressure was brought to bear and some suggestions were made that did not look nice, and the negotiations were discontinued.

I am not going into details, but methods were adopted which finally resulted in renewal of the negotiations and the demonstration of the fact that, as against the methods adopted, that plant could not survive. Their property was taken away from them by methods I do not care to characterize. But they sold the packing plant at much less than they had been originally offered. They had demonstrated their ability to go into independent competition with the larger fellows. The competition failed not because competition under sound conditions would not have succeeded but because competition under existing conditions, with the possibility of the influences that we have been objecting to, prevented it.

I say that if you will make conditions so that competition really has a fair chance, if you go after this thing thoroughly, I am not without hope that a substantial degree of competition can be restored to this industry.

But I say this, that you will not do it unless parallel with the opening of the avenues of competition you control the existing monopolistic combination, so that while competition is being established, and until it is established you will have the restraining hand—not by being on the outside and coming in after the event to prosecute in a criminal or a civil suit, but by having a control which compels the existing dominant influences in this business to disclose concurrently with the event what goes on in their business. Accounts must be kept under Federal direction and reports made, and the opportunity to check on the books right at the time, so that you do not wake up after the damage is all done and then try to cure it by penalty; but you must be able to revoke the license temporarily or otherwise so that they will know that you can do that, and it will have a far more deterring effect, in my judgment, than any of these prosecutions.

The CHAIRMAN. I want to ask you, Mr. Fisher, a question. I do not intend to break in, but I thought you had reached a conclusion. After all the illuminating investigations that have been made, after the indictment and trial in Chicago, I believe it was; after this long and exhaustive investigation of it by the Federal Trade Commission, and after the transmission of the report to the President of the United States and his communication inviting our attention to it—after all this hearing, if Congress does not in this session pass some kind of legislation but simply does nothing, and then the Food Ad-

ministration law and the law under which the Food Administration has been established ceases to operate, will not all this have the effect of assuring the big packers that what they have done, after thorough investigation, has not been of sufficient evil or injury to the public interest to invite the action of Congress, will it not rather embolden them to do just what they have been doing and to further progress along the lines they have been heretofore pursuing; will it not naturally have that tendency?

Mr. FISHER. Undoubtedly. It can have no other effect. But I have looked at it rather from the other angle, Mr. Chairman—the effect it will have on the producer. If this matter is dropped in Congress without effective action, either because Congress itself thinks that the remedies will not go as far as they ought to go, or for whatever reasons, the discouraging effect upon the production of live stock of this country will be an incalculable evil and injury to the interests of the consuming public.

The CHAIRMAN. And you think that that result would naturally follow inaction?

Mr. FISHER. It will inevitably follow. Here are the producers who have labored now for these many years; they have believed that these things existed in the business; they have labored against all kinds of obstruction and opposition to get the investigation; they have now got the investigation, and they have become cognizant that the investigation has confirmed in general their previous apprehensions; then they get legislation up and discuss it, and they have no action? Why, it has been a tremendous effort to get the producers together and hold them together as long as this. They will be incalculably discouraged.

The CHAIRMAN. Right there. These facts before us have been established by official investigations. I know that it seems to me that it is more important to have the legislative proposition considered and acted on than it is to rehash and go over all the methods by which the facts so far have been developed.

Mr. FISHER. Oh, undoubtedly.

The CHAIRMAN. And if we continue to hear everybody who wants to be heard pro and con we will be here the 4th of March continuing this hearing. That is the reason why I have been anxious to have representative men who could present both sides of this question. I want the packers to be heard—to have representative men or women, whoever may come before us, that can give us, just as you have, an all-inclusive statement, and let it be so that the committee can know something of its own knowledge and its own investigation, and let us then take some action, whether along the line of this bill or Senator Kendrick's bill, or any other bill, and let us express in the form of legislation that we think something ought to be done, and do that during this Congress.

Mr. FISHER. Your position is absolutely sound.

May I say that the producers do not wish to have their position understood as attacking the legitimate interests of the packers. Quite the contrary. They recognize the fact that if properly conducted they exercise a very useful, and indeed a very necessary, function, and to that extent they ought to be absolutely protected.

I hold in my hand a press statement to the editors of the American press, which has been issued by the market committee of the Ameri-

can National Live Stock Association, appealing for free and independent discussion of these hearings and the presentation of both sides and pointing out that what is desired is a recognition of the rights of every interest that is involved here.

It opens with this statement:

Furnishing to the people of the United States and especially the residents of our industrial towns and cities of an abundant supply of wholesome food at the lowest prices that that will insure its production is a matter of the greatest importance.

And they say further, referring to the American National Live Stock Association:

It views with serious concern the extraordinary campaign of concentrated power and concentrated profits which the packers have been and still are conducting to influence American public opinion.

I have shown you one of their advertisements here.

It does not possess the financial resources with which to combat it on its own ground, even if it desired to do so. All it does desire to do is to make certain that the evidence and arguments of all parties in so vital a controversy shall be fairly and fully presented to the great popular jury of the country. It believes that neither the producers nor the consumers desire anything that is unfair to those who perform the necessary and useful functions of slaughtering live stock and marketing its meats and other products. It believes, however, that they do desire to open and to keep open, if possible, the door to free and fair competition in every branch of the great business of supplying the consuming public with products of the farm and of the ranch; and that while such competition is being established and until it is established the practical monopoly which has confessedly existed in the past, and which the Federal Trade Commission has found exists to-day, shall be effectively regulated and controlled for the protection of the interests of producer and consumer alike. They recognize the value and the need of cooperation between all those who engage in the interdependent processes of production, of manufacture, and of distribution, but it must be the cooperation of democracy and not the cooperation of a financial oligarchy with democracy. It must be a cooperation not only between packer and producer but with the consumer.

Now, note; this is what they say:

And its object must be to furnish food to the consumer at the lowest cost consistent with a fair return to those producers, manufacturers, and distributors who do perform essential services by efficient methods economically sound.

The CHAIRMAN. Suppose we passed this bill, without amendments, or some other bill intended to reach the same evil, will not the five great packers you referred to still have a natural advantage on account of credit and facilities and an established business? Will they not still have an advantage over any competitor now existing or who may hereafter come into being?

Mr. FISHER. Yes. But the competitors who are to come in will be satisfied with a less profit.

Mr. SNOOK. I would like to ask one question about this section before you close. Do you so construe section 5 of the bill, which provides for the issuance of a license, that the authority to issue the license would not have power to regulate the scope of the business; is that what I understood you to say?

Mr. FISHER. I have been of the conviction that that section as it is written does not give power to prohibit the packer to engage in collateral business; if you mean "scope of business" in that sense, I have not believed so.

Mr. SNOOK. You think it has nothing to do with the scope of the business?

Mr. FISHER. I would not say that.

Mr. SNOOK. How about this language, which says, on page 5, "shall operate exclusively under license issued by the President, through such agency or agencies as he may designate, and upon such terms as he may prescribe in such licenses, and under such regulations as may from time to time be prescribed by him"?

Could the President issue a regulation that a concern engaged in the meat-packing business could not go into the grain business?

Mr. FISHER. It may be broad enough to do that. It had not occurred to me that it was.

Mr. SNOOK. You think not?

Mr. FISHER. Well, I have thought not. Of course, the language on page 6 has more direct relation to it.

Mr. SNOOK. Yes; I understand that, but it is not as broad as this language I have called your attention to?

Mr. FISHER. Oh, no; it is not; and I should think that the President, or anyone he designated, or any department he designated, would probably regard that language on page 6 as being more directly applicable.

Mr. SNOOK. As giving wider discretion?

Mr. FISHER. That language, as you know, reads:

That the provisions of such license may include the relation, direct or indirect, of the licensee to the purchase, manufacture, storage, or sale in interstate commerce, of commodities other than live stock and the products derived in whole or in part from live stock or the slaughtering of live stock.

Mr. SNOOK. I do not know what that language means exactly.

Mr. FISHER. The explanation given to me was that it was put in because there was some apprehension that the previous language might be held not to be broad enough, and they wanted to point out distinctly on the face of the bill that the license was to include these side lines. Of course, it is only permissive. The trouble with this bill—if I may say so, Congressman, is this—of course, this bill, as I understand it, has been sent to your chairman by the President and it is intended to enable the recommendations of the Federal Trade Commission to be carried out. It is proposed at a time when we have not decided what our policy is going to be about the railroad situation, and therefore it follows the line of least resistance; it is purely permissive. It gives the President of the United States power, and authority to do these things in such way as he decides: it is very broad and very general; it is not mandatory.

Mr. SNOOK. It looks to me as if this language on page 6 was left out and this broad language in the bill on page 5 were adopted the President could issue license regulation that if a man engaged in a certain business he could not engage in another; it would be effectual.

Mr. FISHER. Of course, the way to clear it up entirely would be to say, over on page 5, where it says, "and upon such terms as he may prescribe in such licenses and under such regulation as may from time to time be prescribed by him or with his approval by such agency or agencies as he may designate," and then add "which terms may include the conditions under which the licensee may engage in the

purchase and manufacture and sale of commodities other than live stock, or may prohibit the licensee from engaging in such business—

The CHAIRMAN (interposing). Mr. Fisher—

Mr. SNOOK. One more question. I would like to ask him concerning the turnover, as I understand it, of these refrigerator cars to the railroad companies to be operated for the use of anyone who might apply. Would that have any effect upon the quality of the service, taking it away from those people who are now engaged in the meat-packing business alone?

Mr. FISHER. My opinion is that it is that the first and immediate effect might—I say not “probably” but “might” have that effect, just as I believe that the taking over of the entire railroad organization by the Government has had an effect of a relative decline in efficiency for a time. I think that is inevitable. It has been transferred to new masters and new people under considerable uncertainty as to tenure. It has caused some hostility on the part of the operating forces as to the method employed, and so on. If you took over the refrigerator cars you would either have to take over the present operating organizations of the packers or you would have to establish new ones.

If you took over the present organization of the packers you would take over in it men who were generally not in sympathy with what you are doing, at least not in full sympathy—some of them—and the result would be a little decline in efficiency. If you attempted to establish a new force and be independent of packer origin, during the process of establishing it there would be some inefficiency.

I do not believe that that would permanently result at all; I think it would be purely a temporary condition.

Mr. SNOOK. Would there be the same incentive to improve the service on the part of the railroad companies as there would be on the part of the people who make the matter of packing and shipping the meat their sole business; could there be any improvement?

Mr. FISHER. There might be some loss in that direction. But when you spread that loss over the entire business the gain you would have in the improved service that would be given to everybody except these large packers who now reap the exclusive benefit of the present efficiencies you speak of—

Mr. SNOOK (interposing). It would be very small?

Mr. FISHER. I think it might easily be a net gain.

But whether it is or not, it is like all of these things that are public utilities in their nature. You can not permit the private agencies that are interested in the profits of the business which is conducted by means of these agencies to control or own the agencies.

Mr. SNOOK. Could they be operated by the packers, the present owners, if you apply a license system?

Mr. FISHER. Oh, no. If they are operated under a license system and confined to the packers you would not gain much. Of course, they would come under the license if they were a part of the packers' equipment.

If you attempted to throw open to the use of other shippers the cars which were formerly devoted to the use of the packers, and have the packers continue to own these cars you would get about the worst situation you could possible create, because you would hold out to the potential patrons the possibility of getting this service on relatively

equal terms, and you would not be able to deliver the goods, because you may assume that while you could by regulation reduce some of the evils, you would create immense difficulties in the way of the regulating power by attempting to regulate a thing which belongs to somebody who is making money out of the preferential use of it.

Mr. SNOOK. Do you think that is primarily necessary?

Mr. FISHER. I see no escape from it.

The CHAIRMAN. Mr. Fisher, I want to make a little statement in connection with what you said about the President sending this bill to me. The President sent me a letter from the Federal Trade Commission to him, accompanying their report, and with that letter was a draft of the bill, which was drawn, as a matter of fact, by the Federal Trade Commission. He did not indorse the bill specifically or in its entirety or its language, or anything of the sort, but handed to me the bill as the suggestion of the Federal Trade Commission, but with the request that the subject be taken up and that Congress act.

I looked over this bill and I felt that it ought to be modified in some respects, not substantially, not basically, before I introduced the bill. I received the bill about the time the President was leaving this country; I did not get to see him about it. I saw the Federal Trade Commission, and I called attention to this bill, that I thought there ought to be certain changes in the bill, certain modifications made in it, that would perhaps avoid litigation afterwards. One thing was, instead of saying "in whole or in part" in describing the control, it said "substantial part"; and I said, "One court might hold that 'substantial' meant one thing and another court would hold it meant another thing," and I suggested leaving the word "substantial" out and saying "in whole or in part"; and then I suggested to them that the bill, I thought, ought to give the power as briefly as possible, and not try to go into details of regulation which should follow and which ought to be left to the executive agencies under the power conferred. Then I said that the bill, as sent to me, should be changed so that the bill would contain an authorization instead of a direct appropriation. Then I also said that any other amendments that did not change the scope and purpose of the legislation could be added, and the bill was changed at my suggestion to comply with these suggestions. They may not have been wise; they may not have improved the bill; but I did not want the President to be loaded with all the responsibility, and as introduced I share part of the responsibility and the Trade Commission the balance.

Mr. FISHER. May I say in that connection that if the bill is to be modified as a result of discussion and of such considerations as the packers present to you, I suggest that you give some attention to the bill introduced by Senator Kendrick, and you may find that a combination of the provisions of these bills may be the best method of procedure. I merely call your attention to the Kendrick bill because I think it has some very desirable features.

The CHAIRMAN. Before I introduced the bill I had a conference with Senator Kendrick along the lines of what he thought was practicable legislation, and I rather encouraged him to introduce his bill so that we might have the benefit of his views. I am not wedded to the language of the bill. But I unhesitatingly approve the object and purpose of it as I understand it.

Mr. DILLON. I wanted to ask a few questions. Nobody is interested in this legislation more than my State. I will not take long and the most of my questions can be answered yes or no.

Do you think, Mr. Fisher, that if we should adopt this system of regulation that it will be conceded it may spread in time to all activities?

Mr. FISHER. It might spread to activities similarly situated.

Mr. DILLON. The license system would carry with it the idea of regulating an existing monopoly, would it not? Would you favor regulation monopolies and having regulated monopolies?

Mr. FISHER. I would say "yes" to your former question; that is to say, there are only two things you can do with monopoly—one is to destroy and the other is to regulate it. The only way you can destroy monopoly is by prosecution on the one hand and by creating or encouraging competition on the other. I do not understand that this bill proposes to rely exclusively upon the regulation of monopoly. What it does is to recognize that substantial monopoly does exist and competition should at least be attempted to be restored in the business and that monopoly should be regulated and controlled.

Mr. DILLON. Do you not think that if the Department of Justice would persistently and energetically prosecute all of these combinations that it would reasonably restore competition in business?

Mr. FISHER. I do not, Mr. Dillon.

Mr. DILLON. I do not mean spasmodically; I mean by the use of persistent, constant pressure of prosecution, by the framing of laws something along these lines, when the State or Government approves a certain state of facts that it shall be a prima facie case, and the burden of proof should then be shifted on the other side to show that they are not engaged in combination.

Mr. FISHER. If you could draft a statute which would define with fairness and clearness what would constitute presumption of monopoly, then I think the burden of proof on the person to show that that state of facts did not in reality constitute monopoly would be helpful.

Mr. DILLON. I have drawn some legislation along those lines, but have not been able to get them anywhere.

Mr. FISHER. But if what you asked was this: Whether if the Department of Justice had successfully prosecuted the people who were engaged in building up a monopoly so as to stop them before they accomplished their result, that would have been efficacious, I believe it would have been. But if what you are asking me is whether, after monopoly has been substantially established you can then secure relief by prosecutions through the Department of Justice, I think not. We have not yet succeeded in any such case. The nearest approach we have had was the one I referred to a few minutes ago, that of the Harvester proceedings. We did not succeed in the Standard Oil litigation in my opinion.

Mr. DILLON. No.

Mr. FISHER. The difficulty is this: Let us suppose that the monopoly has once been allowed to be established and let us assume that the Department of Justice successfully establishes the fact that there is a monopoly, then what kind of a decree are you going to enter? Juries, so far, in cases where the evidence has been conclusive as to

the existence of a monopoly, have nevertheless refused to convict criminally. The Department of Justice can not do much under those conditions.

Mr. DILLON. Your objection is that the adoption of this bill would practically leave out all elements of competition.

Mr. FISHER. That the adoption of this bill would?

Mr. DILLON. Yes.

Mr. FISHER. No; quite the contrary.

Mr. DILLON. You think there would be on certain lines that competition which might still exist notwithstanding this Government license system?

Mr. FISHER. Yes, sir; because the bill is not confined to the license. If the bill was confined to the licensing system, the result you mention would follow, but the bill proposes to take out of the hands of those who now control the business substantially the marketing agencies which they now use to maintain control. The purpose of that is to enable potential competition to develop. The licensing provisions are only one of the two methods proposed to be adopted.

Mr. DILLON. Would you ultimately fix buying prices and selling prices in this matter?

Mr. FISHER. Not if I could help it, I would not. I would undertake to limit. I think later something more would have to be done. There might have to be some incidental regulation of price levels in order to accomplish that result.

Mr. DILLON. Then, would you prohibit the overhead charges in the procedure by license?

Mr. FISHER. I think you would have to do that.

Mr. DILLON. You would have to do that?

Mr. FISHER. You would have to have some regulation of overhead charges, especially those in the shape of salaries or things of that kind.

Mr. DILLON. You spoke a while ago of the very important railroad proposition and that we prohibit them engaging in certain activities. Do you think that rule could be applied to this kind of an activity, where they are not engaged in a governmental function, like the railroads?

Mr. FISHER. You ask whether it could be done. Do you mean as a matter of law, constitutionally?

Mr. DILLON. I mean constitutionally.

Mr. FISHER. I think probably that provision could be so worked out that it would produce that result and could be done constitutionally.

Mr. DILLON. Would you express to me some idea you may have, briefly, as to why a law which said, "You should not go into certain lines of business," and that somebody else might come into it would be constitutional?

Mr. FISHER. It would have to be as a regulation of interstate commerce. The power of Congress over interstate commerce is plenary. You have found things you can not accomplish by other methods which the courts sustain as regulations of interstate commerce?

Mr. DILLON. Yes. But you will recognize the fact that the Government must treat all its citizens alike in certain classifications?

Mr. FISHER. Right.

Mr. DILLON. That being true, what right has the Government to say that I could not engage in this particular business?

Mr. FISHER. That you could not engage in that particular business and that I could?

Mr. DILLON. That is it.

Mr. FISHER. But they could say that you and I could not engage in it, and you and I would be treated exactly alike.

Mr. DILLON. Then you think that a man may engage in one specific business and it is proper for the Government to say so?

Mr. FISHER. Not necessarily; but I think the Government might very well say that a corporation, engaged in interstate commerce, could only engage in certain of these lines of business for which it was incorporated, and that it could not combine with that other line of business.

Mr. DILLON. Do you not think that argument would get you in a vast field of trouble when you say that one individual can not engage in two lines of business?

Mr. FISHER. Do not misunderstand me. I have some doubt of what you mean by "trouble." If you mean there would be difference of opinion on the subject in some quarters—very violent difference of opinion, undoubtedly. If you mean "trouble" in the courts—

Mr. DILLON (interposing). That is what I mean.

Mr. FISHER. You would only get into trouble if you did not draw your statute properly. Of course, there are those who believe that you can provide that any corporation which has managed to attract to itself more than a certain percentage of the total business in a given line can be treated in a way different from a corporation which does not control that percentage of business, and that the mere size may be regarded as prima facie evidence of at least so great a progress toward monopoly as to be contrary to public interest.

Mr. DILLON. You think, then, that Congress, by rule and regulations, could establish a rule as to the size of a business that could be conducted by one individual or corporation?

Mr. FISHER. If you are talking about the constitutional power of Congress—

Mr. DILLON (interposing). That is what I am talking about.

Mr. FISHER. And, confining it now to interstate commerce, because that is what Congress has plenary power over, I believe that Congress could set up standards of different treatment dependent upon the size of the corporation and dependent upon the percentage of the total business done in a particular line. Congress could decide, if it wanted to, that a corporation engaged in a certain line of business could not combine with that line another line of business if it engaged in interstate commerce; at least, I think that probably would be true. I do not know that decisions of the courts have gone to that length.

Mr. DILLON. You do not think Congress could come in and say one citizen could do a thing in a certain way or along certain lines of business processes and that another citizen could not do the same thing?

Mr. FISHER. No, sir.

Mr. DILLON. Nor that one citizen could not do a certain thing that a corporation could do.

Mr. FISHER. I do not know about that. State legislatures, Mr. Dillon, have, for instance, provided that certain businesses can only be conducted by corporations. For example, the State of Illinois has enacted legislation that an individual or a copartnership can not run a railroad, and the courts sustained that statute; that is, they hold that is the law.

The CHAIRMAN. Have you finished, Mr. Fisher?

Mr. FISHER. I have finished.

The CHAIRMAN. I want to say that I think I am voicing the sentiments of the committee when I say that we greatly appreciate your coming here and giving us the benefit of your studies and recommendations, and we sincerely thank you.

I will add that we may possibly want to hear you again in the way of rebuttal, provided some witness comes in and controverts what you may have said or endeavors to explain or modify it; we would at least expect you to be given an opportunity to make reply to anything of that kind.

We will now adjourn further hearing on this subject until next Wednesday, January 15, at our usual hour of convening.

(Thereupon, at 2 o'clock p. m., the committee adjourned to meet Wednesday, January 15, 1919, at 10.30 o'clock a. m.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Wednesday, January 15, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

The CHAIRMAN. The committee will come to order. I believe that a representative of Kingan & Co. was to be heard to-day.

STATEMENT OF MR. W. R. SINCLAIR, OF KINGAN & CO., INDIANAPOLIS, IND.

The CHAIRMAN. You may proceed and state your name and the industry you are representing.

Mr. SINCLAIR. W. R. Sinclair is my name, and I represent Kingan & Co., of Indianapolis, Ind.

The CHAIRMAN. You may now proceed and make your preliminary or opening statement in your own way.

Mr. SINCLAIR. I have put our views on paper, and if you will bear with me, I would like to read them.

The CHAIRMAN. We will be very glad to hear them.

Mr. SINCLAIR. And then I will be very glad to answer any questions I can.

We understand the chairman has stated that "the purpose of the bill is to insure free competitive market and to open a free channel of commerce for meat animals and the products derived from them."

As regards our experience in buying of meat animals, we buy and slaughter between 1,000,000 and 1,250,000 hogs, and about 150,000 cattle and small stock per year, and wish to state that we find active competition in the live-stock markets. We buy most of our

live stock in Indianapolis, where active competitive conditions exist, but in periods of local scarcity we buy in other markets, including Cincinnati, Louisville, Nashville, East St. Louis, Kansas City, Omaha, Sioux City, St. Paul, Peoria, Chicago, and Cleveland, and always find in these markets competitive conditions and no hindrances to our buying at prevailing market prices.

As regards the selling of our finished product, it is all sold under active and what we consider fair competitive conditions.

We are parties to no agreement or arrangement controlling prices or sales. We make the prices on our own goods in accordance with existing market values and conditions, and our business has increased in volume as rapidly as we desired.

In view of our experience as set forth above, regarding competitive conditions, both in buying and selling, we can not see the necessity for such drastic control of our business as is proposed in this bill.

In considering the meat-packing industry it must be remembered that this business is one which deals in highly perishable articles which require the most careful and prompt handling under refrigeration from the time the animals are slaughtered until the final disposition of the finished product to the consumer. Were it not so, the broad distribution of the many various products of the packing house would not be possible without great waste through spoilage. We would like, if possible, that you bear this in mind in considering the problem of selling and distribution of the products of a meat-packing house like ours.

We feel, therefore, that comparisons with such industries as those dealing in nonperishables such as steel and textiles are really not applicable.

If you will bear with me for a few minutes I would like to review briefly the development of artificial refrigeration in our business which has led up to our owning and operating our own cars and branch houses.

Less than 50 years ago the summer packing business was unknown, the packing season being from November to March. After March till the succeeding November there was practically no outlet for the farmer for his live stock, especially hogs.

About the year 1872 Kingan & Co. began curing in summer with ice to a small extent and continued during the succeeding summers until 1876, when we again were the pioneers in the introduction of artificial refrigeration, which was then practically unknown in any industry. The experimental work, both in the perfecting of refrigerating machinery and its application to curing, as also the preliminary stages when ice had been used alone, was most costly to us and other packers, resulting, however, in the course of years, in our succeeding in curing, and therefore slaughtering, as successfully under artificial conditions in summer as formerly under natural conditions in winter. The result of this has been that the farmer has now been furnished for the past 35 years with as good a market for his live stock in July and August as in December and January, and the consumer an all-the-year-around supply of fresh meats. This has proved a universal service to the entire community, including both the farmer and the general public.

As the all-year-around outlet for live stock developed, great impetus was given to the farmers in raising greater numbers of animals. This led to the gradual development into farm lands of the middle and more western States, and the growth of meat-packing plants in the various centers of the Middle West. On the other hand, the largest consuming centers of meats are in the Eastern and Southern States, and, in order that we could market our meats in fresh and perfect condition in the large centers of consumption in the East and South, we found it necessary to provide our own refrigerated transportation and storage facilities for reasons which we will state further on.

Our refrigerator cars and our branch houses were therefore the product of our necessity, as above stated.

We would like to deal with the branch houses for a moment.

Prior to this development of refrigeration the people had to be largely satisfied with western cured meats, which, not being perishable to a great extent, were largely distributed by jobbers, to whom the packers sold the goods, in a great many cases, in car lots. But as the population in the Eastern and Southern States increased, the local supplies of fresh meats became insufficient for their wants, and the development of artificial refrigeration, both in the packing house and in transportation, rendered the fresh meats of animals killed in the West available for these distant markets.

In the development of this fresh-meat business we were unable to find local people in a position to handle these highly perishable goods—the jobber had no refrigerating chambers, and did not feel like spending the necessary money to equip himself—so that we were forced into creating our own facilities at the points of distribution. These facilities consist of cooler and refrigerated chambers in which to carry the fresh meat from day to day. This character of equipment is expensive. In some cases the packer has put up his own building, in other cases it has been possible to find owners of property who were willing to construct suitable premises on a rental basis, thus requiring no outlay of capital by the packers.

As the requirements of the trade became more particular it became necessary to do some processing nearer to the point of distribution than the packing house, and this has been a natural addition to the function of the branch house. This comprises such processes as the final smoking of hams and bacon, the cooking of hams and other such articles, the making of fresh sausage and luncheon meats. The varying requirements of the different localities have thus been provided for by the individual units.

This development of our branch houses necessitated the employment of considerable staffs of men to operate the branch, such as salesmen, cashiers, credit men, bookkeepers, clerks, etc., the expense of which required a considerable volume of business to keep the cost of operation reasonable.

The margin upon which the business is conducted is so narrow that the successful operation of the branch house depends on keeping as large a volume as possible passing through it.

Each of our branches has its own manager and staff of salesmen selling our own brands and has built up its own trade connection and established our brands in its locality. Individual initiative is developed all along the line. In our organization we speak of a man

as being a good "Kingman" man, meaning that he understands our goods, believes in them, and knows our ways of doing business. Under Government control or operation we believe this would be done away with.

We mention these facts to outline the manner in which our branches have developed and to show the necessity which we and other packers have filled in establishing them in the manner in which they are constituted and used at the present day.

We have mentioned the refrigerator cars as an important link in the chain of distribution and we would like you to appreciate that the managing and operation of them is so closely related to the distribution of the perishable products that their operation is now an integral part of the business. In them we ship such highly perishable articles as fresh beef and pork, sausage and boiled hams, prepared luncheon meats, and sliced bacon, hundreds of miles even in the hottest summer weather, thus providing wholesome fresh meats in good condition to many places that otherwise could never have them in the summer season.

There are three general types of refrigerator car, the beef car, the provision car, and the peddler car, each designed for its own particular purpose. There is also the tank car for shipping edible lard and fats. Each business requires its special number of each type according to its volume of sales and the nature of the product it sells and the manner in which it sells it.

Kingman & Co. now own and operate 157 dressed beef cars, 341 provision cars, 42 peddler cars, and 6 lard tank cars. We also own and operate 5 furniture cars for moving cooperage, 10 coal cars, and 3 tankage cars.

The beef cars are used for shipping fresh meats to the branches or on direct sales to other wholesale distributors. They are loaded each day with the special assortment required and the orders are regulated and timed so as to keep a steady and freshly arriving supply at the distributing center.

The provision cars are used for the less perishable products, such as cured meats and lard.

The peddler cars are combination beef and provision cars, used for local shipments, loaded with the salesman's orders in rotation and unloaded at each stopping point, thus enabling a local business to be done over distances of several hundred miles in the most perishable articles.

These cars must be kept spotlessly clean to insure the product arriving sweet and in good condition. To do this it is necessary for them to be scalded and scoured after each trip. It is therefore not feasible to load them with other classes of merchandise, which the railroad, if they owned them, would require to do.

Refrigerator cars require a great deal of upkeep and repair, which the railroads in the past have not had the facilities or been desirous of doing, in order to keep them in perfect condition, which is necessary to maintain perfect insulation at all times.

They are iced usually the day before shipment to insure cold temperature when loaded.

The number of cars owned by us is just sufficient for our business and the continuity of shipments depends on the prompt return of the cars from destination. It is not possible to successfully carry

large stocks of perishables in the eastern and southern markets owing to the nature of the goods and the distribution depends on the steady supply arriving in most cases daily, fresh from the packing house. This necessitates a steady daily supply of suitable cars, which is made possible by us owning our own and tracing them through our own traffic department.

The cars can not be called a money-making end of the business and are not operated for profit or loss but for the convenience and advantage in the handling of the products they carry. In recent years they have been operated at a material loss. The Kingan Refrigerator Line shows a loss during 1917, \$6, 128.18; 1918, \$46,672.94.

The cars are owned solely for the efficient operation of the business. Any lessening of the present degree of efficiency which has taken years to attain would seriously impair the business in the highly perishable articles which to-day form so large a portion of the volume.

Taking all the above into consideration, we feel that under Government control the refrigerator cars would not be operated as efficiently and economically as when under our own management.

We view with considerable concern the fact that the bill under consideration contemplates removing from the control of ourselves the owners of the business, certain most essential links in the chain of our operations, through Government regulations by license or otherwise of the cars and the branches which we have had to provide for the necessities of our business.

We consider the bill under consideration as a step toward Government control of industries which we believe will be very detrimental to their development along efficient and economical lines.

We believe that under Government control or ownership of all or part of the business, the packing industry would not render its highly complicated and specialized service in distributing the necessities of life to the people as economically or as efficiently as it has been doing. Consequently we do not think that Government control such as is proposed, would enable the live-stock raiser to receive any more for his animals or the consumer to buy the finished product for any less money.

We can not see how an industry can be successfully carried on if the freedom of the distributing and selling efforts of the house is restricted or controlled. This feature is a serious one from the point of view of obtaining the necessary capital required to carry on and handle the large volume at the present high level of prices, which are likely to prevail for some time to come.

We do not know of any other industry of the magnitude of the packing industry which is operated on so narrow a margin. This economical service has necessitated the development of large volume and quick turnover to show a satisfactory return on the capital invested.

In point of fact, though Kingan & Co. have been in business for about 50 years, the owners have never received more than a nominal interest on their investment, with one exception, about 20 years ago a moderate issue of stock, capitalizing a part of the reserves then existing. The earnings from year to year with the above exception have gone back into the business, largely in order to provide the necessary buildings and plant to furnish increasing facilities to care

for the natural and steadily increasing production of the farms of the country.

In the general conduct of the business, the ability to sell the product at a reasonable profit through an established selling organization, gives the necessary confidence to buy the live stock and kill them and manufacture the product into the articles most in demand and during the heavy winter killing season, to accumulate a stock of such articles.

It is only the knowledge of what the selling organization can do with the product that enables the management to go ahead with the purchases of the live animals and keep up the volume.

It has only been through the gradual development of the intricate selling organization comprising the trained salesmen, the refrigerator car and the branch house, that it has been possible to distribute even under average weather conditions the many different products of the packing house, many of a highly perishable nature, to the American consuming public, which is the most particular and the best fed people in the world. This has only been rendered possible, summer and winter the year around, through the facilities which the packer has provided.

The CHAIRMAN. Have you finished your preliminary statement?

Mr. SINCLAIR. Yes.

The CHAIRMAN. Mr. Esch, do you wish to ask any questions?

Mr. ESCH. You are the largest packer in the United States next to the so-called big five?

Mr. SINCLAIR. I think so. I think we are, yes; but perhaps Jacob Dold & Co. may be larger than we in some lines.

Mr. ESCH. What are the total head of cattle and hogs that you slaughter per annum?

Mr. SINCLAIR. We kill about 1,000,000 or 1,250,000 hogs per annum, about 100,000 cattle, and about 50,000 small stock.

Mr. ESCH. You have developed your industry wholly independent of the so-called big five?

Mr. SINCLAIR. Absolutely.

Mr. ESCH. You have, during the 50 years of your experience, had no agreements, understanding, or arrangements with the big five?

Mr. SINCLAIR. No.

Mr. ESCH. In any phase of your industry?

Mr. SINCLAIR. No.

Mr. ESCH. You have been during all your existence, then, active competitors with these big five packers?

Mr. SINCLAIR. We have.

Mr. ESCH. Have you found in the various buying markets where you buy full play for competitive conditions?

Mr. SINCLAIR. Yes; we have.

Mr. ESCH. And you have been an active competitor with the big five notwithstanding their agreement as to percentages of purchases of stock?

Mr. SINCLAIR. Yes; we have been active competitors, and we have found the active competitors.

Mr. ESCH. And where they dominate a stockyard have you found it difficult or impossible to get your share of the stock that is offered for sale on that market?

Mr. SINCLAIR. We have never had any difficulty in buying what stock we wanted on any market provided the price was right, and we were willing to pay it. We go in the spring sometimes, after the Indiana hogs are largely exhausted, to the western markets at times to buy live stock, and we have always been able to get along all right.

Mr. ESCH. Have you but one packing plant?

Mr. SINCLAIR. We kill hogs in Indianapolis, and also in Richmond, Va.

Mr. ESCH. Those are the only two plants you have?

Mr. SINCLAIR. Those are the only two packing plants; yes.

Mr. ESCH. Have you found that the percentage of increases of purchases of stock in the primary markets has interfered with your purchases of stock?

Mr. SINCLAIR. No.

Mr. ESCH. Have the methods used by the big packers of splitting shipments or purchases of wiring on, as it is called, or any of those practices, interfered with your getting your supply on any of these primary markets?

Mr. SINCLAIR. No; we never heard of them until we saw them in the Trade Commission's report.

Mr. ESCH. Now that you have heard of them, looking back to your experience, do you find that these practices have militated against your opportunities of purchasing the supply you needed?

Mr. SINCLAIR. We have never noticed it.

Mr. ESCH. Coming to the question of refrigerator cars, as I understood your testimony, you must have about 500 special cars.

Mr. SINCLAIR. We have about 500; yes.

Mr. ESCH. And you said your losses in refrigerator cars last year—1918—were \$46,000?

Mr. SINCLAIR. Yes, sir.

Mr. ESCH. And six or seven thousand dollars the year previous?

Mr. SINCLAIR. Yes.

Mr. ESCH. The refrigerator car has a high depreciation percentage. has it not?

Mr. SINCLAIR. In regard to depreciation we follow the rates prescribed by the Master Car Builders' Association, which are 6 per cent per annum.

Mr. ESCH. What have you found is the average life of a refrigerator car?

Mr. SINCLAIR. In regard to the age of the cars, it has been our practice that when refrigerator cars got to be about 18 or 19 years old we scrap them. In this connection we have been informed by the concerns who build our cars that the average life of a refrigerator car owned and operated by a railroad is about 7 years, whereas our experience has been that we get from 18 to 19 years' life. The reason for this is that we do not permit an empty car to be set for outbound loading unless it has been passed on by our inspectors in our car-repair shops, where each car is carefully inspected and gone over after each trip and any defects remedied or tightening up attended to. This has greatly prolonged the life of our cars, as they are never permitted to get into a run-down condition.

We have not found that the railroads have given such careful attention to refrigerator cars which they own and operate, and it is our experience that there are very few roads which have the proper knowledge and materials to take care of refrigerator cars in this manner. We might add that it has been our experience that where the body of one of our cars has been damaged en route and repaired by the railroads in nine cases out of ten we have to do the work over again, because we have found that they have not replaced the insulation in the proper manner, which is absolutely necessary for the proper preservation of the perishable products loaded therein.

Mr. ESCH. Is the percentage of depreciation high because of the fact of the rotting of the wooden material and the rusting of the metal material?

Mr. SINCLAIR. Yes; where ice and salt are used in the icing of the cars, the action of the salt is very hard on the metal.

Mr. ESCH. So that the depreciation percentage of refrigerator cars is greater than the ordinary box car?

Mr. SINCLAIR. I would say so.

Mr. ESCH. And the cost, of course, is very much greater?

Mr. SINCLAIR. Yes.

Mr. ESCH. Is that an element that accounts in part for your loss in 1918?

Mr. SINCLAIR. No; I think our losses are largely owing to the high cost of both wages, which we have had in our repair shop, and the materials in our repair shop, and also the fact that during last winter the cars were very badly tied up, owing to the blockade of the eastern ports and also the snow; so that the mileage earned was small.

Mr. ESCH. That accounted largely for your losses?

Mr. SINCLAIR. Yes.

Mr. ESCH. Would it be true if the Government owned the refrigerator cars; would they be likely to suffer loss as the private operators suffer loss from like causes?

Mr. SINCLAIR. Well, unless they were very carefully watched and operated, I imagine they would.

Mr. ESCH. If the Government took over the refrigerator cars, would it be necessary for the Government to establish an agency or an organization especially devoted to the operation of refrigerator cars?

Mr. SINCLAIR. I would say so, both in the tracing of them and in the repair of them.

Mr. ESCH. Now, you own these refrigerator cars and they go into interstate commerce upon a contract with the carrier?

Mr. SINCLAIR. Yes.

Mr. ESCH. Under that contract no other individual in the same line of business has the right to use your car?

Mr. SINCLAIR. I do not know about that. They do use them at times.

Mr. ESCH. They have used your cars?

Mr. SINCLAIR. Yes; I do not know of any contract to prevent it.

Mr. ESCH. How about your lease or your contract with the railroad company? Does that give you the exclusive use of your car?

Mr. SINCLAIR. I do not think so. I do not know of any arrangement of that kind.

Mr. ESCH. You have known that your cars were used by those in the same industry?

Mr. SINCLAIR. Yes.

Mr. ESCH. Have you used the cars of others in the same industry?

Mr. SINCLAIR. Yes.

Mr. ESCH. So that is a reciprocal arrangement?

Mr. SINCLAIR. Yes.

Mr. ESCH. Or practice, rather, not an arrangement?

Mr. SINCLAIR. Yes. We do not like to have our cars used, because it delays the returning of them, and we lose track of them, and they get lost.

Mr. ESCH. When you send out a refrigerator car from your packing plant, you expect it to return to you empty?

Mr. SINCLAIR. We do.

Mr. ESCH. Then you do not get anything for the back haul?

Mr. SINCLAIR. I think the mileage is paid on the haul both ways.

Mr. ESCH. Then, you charge your rate in contemplation of the fact that there may be no back haul?

Mr. SINCLAIR. The cars move under an arrangement whereby the railroad pays a mileage of one cent per mile under load and in the return direction for every run. We receive no other remuneration other than the mileage for the use of the car. We, in turn, pay to the railroad the tariff rate of freight for the load of our product that is in the car.

Mr. ESCH. When you send your car out from your packing plant, it returns to you empty?

Mr. SINCLAIR. It does.

Mr. ESCH. Then, the car does not have a back haul?

Mr. SINCLAIR. No.

Mr. ESCH. Then, it does not have any earning capacity?

Mr. SINCLAIR. No.

Mr. ESCH. Would that account for loss in operation of refrigerator cars by private industry?

Mr. SINCLAIR. I do not think so, because the refrigerator car has to be kept really for the one class of product. It can not be loaded with general merchandise. For instance, the majority of the shipments are moving eastward, and there is not enough meat moving westward to be able to load all the cars with meat.

Mr. ESCH. Then you expect your cars to come back empty?

Mr. SINCLAIR. We do.

Mr. ESCH. You say you have 41 or 42 peddler cars?

Mr. SINCLAIR. Yes.

Mr. ESCH. Do you have to make arrangements with the railroads over which the peddler car is sent for icing?

Mr. SINCLAIR. When a car requires reicing in transit we show this by notification on the bill of lading and the car is iced accordingly. Further than this there is no contract with the railroad for this service. We pay the cost of reicing in transit. We do the initial icing before loading and shipping, in our own plant also at our own expense.

Mr. ESCH. Do you do your own icing?

Mr. SINCLAIR. We do have to make arrangements with the railroads; yes.

Mr. ESCH. The Interstate Commerce Commission last July issued an order practically requiring the carriers to take over the icing plants. Did they take over any of yours?

Mr. SINCLAIR. We have not any icing plants.

Mr. ESCH. Then your icing is done by the carrier plants?

Mr. SINCLAIR. It is.

Mr. ESCH. Have you found the peddler car to be a profitable institution?

Mr. SINCLAIR. It is. It is a cheaper way of distributing goods. It is about the cheapest form there is of distributing the goods.

Mr. ESCH. Just explain that to the committee, please; why it is a cheaper form of distribution.

Mr. SINCLAIR. The salesman is working out of the head office and we run our peddler cars out of Indianapolis, covering a territory of about 200 or 300 miles within a radius around Indianapolis, and we do not require the equipment of a branch house.

Mr. ESCH. And that is less expensive?

Mr. SINCLAIR. We are not required to put in a branch house to cover that territory, because we can do it by a peddler car.

Mr. ESCH. You must have some soliciting agency, do you not?

Mr. SINCLAIR. There is a salesman who travels over the road.

Mr. ESCH. Does he travel in the train with the car?

Mr. SINCLAIR. No; in our case the salesman goes over his route once a week, and he sends in his order for the car to be loaded on a certain day, and the orders are loaded in the car in rotation, so that the orders for the first town that the car stops at are in the door of the car, and so on.

Mr. ESCH. Then the butchers along the route know the day of arrival of the car?

Mr. SINCLAIR. They do; yes.

Mr. ESCH. And they take their own equipment to the warehouse or to the car door and carry their supplies to their shops, is that it?

Mr. SINCLAIR. In some cases we make deliveries through an arrangement with the local draymen, and in other cases the customers come and get their own stuff, according to the custom of the town.

Mr. ESCH. You find that the peddler car, therefore, is an absolutely essential feature of your distribution system?

Mr. SINCLAIR. It is.

Mr. ESCH. And its economies and advantages justify its existence as a special car?

Mr. SINCLAIR. Very much so; yes.

Mr. ESCH. In the territory in which you operate peddler cars, do you have the opposition of the Big Five peddler cars?

Mr. SINCLAIR. We do.

Mr. ESCH. Suppose they have their own icing plants and branch houses, would those agencies afford competitive means whereby your business would be interfered with?

Mr. SINCLAIR. Well, we are up against their competition everywhere we go.

Mr. ESCH. And you have got to meet that?

Mr. SINCLAIR. We have got to meet that and have met it.

Mr. ESCH. Do you engage in the manufacture of other products save beef products and their by-products?

Mr. SINCLAIR. We have a small cheese business which we do in connection with our branch at Syracuse, N Y.

Mr. ESCH. That is the only thing you engage in outside of the regular business of a packer?

Mr. SINCLAIR. Yes.

Mr. ESCH. Do you find that the packers, the large packers, in manufacturing or handling large number of other products not allied with the packing industry gives them an advantage in the selling market over you who only confine yourself to the packing industry?

Mr. SINCLAIR. I can not say that we have found it so.

Mr. ESCH. By specializing in the packing industry can you effect economies that will enable you to meet the competition of the big packers who indulge in other industries aside from the packing industry. In other words, do the profits of other industries operated by the packers enable them to make prices lower than you can make them, you confining yourself only to the packing industry?

Mr. SINCLAIR. No; we have not found that.

Mr. ESCH. You have not found that?

Mr. SINCLAIR. No; our feeling is that every man wants to sell his goods at a margin. We have always found it so.

Mr. ESCH. Your objection to putting the refrigerator car in Government ownership, or at least withdrawing them from their present status, is your fear that the car would not be available for the distribution of perishable products, and that it was absolutely necessary for them to be available at the time of use?

Mr. SINCLAIR. Yes.

Mr. ESCH. That is your main purpose in opposing the provisions of this bill in that regard, is it?

Mr. SINCLAIR. Yes.

Mr. ESCH. And you fear that Government ownership of the refrigerator cars with a governmental agency operating them, would not give you, as a packing plant, the same facilities for the distribution of your perishable products that you now have?

Mr. SINCLAIR. Yes; I may say we feel that way.

Mr. ESCH. And do you feel that your ownership and operation of refrigerator cars gives you an undue or monopolistic advantage over the packer much smaller than yourself?

Mr. SINCLAIR. I do not think so.

Mr. ESCH. Why not?

Mr. SINCLAIR. Well, if one is doing an interstate business through as many branch houses as we have—we have 15—and operate peddler cars, we feel that it is a great help to us to be able to do that business through our own cars.

Mr. ESCH. Yes; but the small packer can not buy and own a refrigerator car line. He has to rely, therefore, upon certain refrigerator cars as the common carrier can supply him, and he thereby suffers a disadvantage, the disadvantage that you fear will follow if the Government takes over all refrigerator cars.

Mr. SINCLAIR. I have stated that the supply of railroad refrigerators available to the packer who does not own his own, would greatly depend upon his location. It is our belief that a packing house located off the main channels through which refrigerator equipment is passing, would not be in any way better off for his supply of refrigerators under Government ownership or control.

A very large percentage of the refrigerator cars in the country are passing through Chicago and it is therefore quite natural that a packing house located in Chicago would have an advantage in the supply over one located, say in the northwest or to the south, several hundred miles from Chicago and off the beaten track and we do not feel, in this respect, that Government ownership or control of the cars would be of any benefit because the cars will be most readily available at or near the points where they are naturally passing through.

Mr. ESCH. Then your theory would be that all packing plants should ultimately own and operate their own refrigerator cars?

Mr. SINCLAIR. I would say so.

Mr. ESCH. Do you think that would be a handicap upon capital invested in a packing industry, which would have to start without refrigerator cars, because of its smallness, and thus have to meet the competition of the packers who have their own refrigerator cars?

Mr. SINCLAIR. It depends upon where he is located. In some cases a man is located in a good railroad position; I mean, in a central position, where he can get a supply of cars from the railroad. In other cases, I imagine, it is more difficult, where he is more off of the beaten track.

I think this can best be done by an illustration of our own case in the development of the Kingan Refrigerator Line.

This was organized in January, 1892. The first equipment owned was 50 refrigerator cars, which cost \$762.50 each, an investment of \$38,125. This was followed by a further purchase of 50 cars in November of the same year at \$845 each, an investment of \$42,250. No more cars were bought until December 10, 1892, when 25 were purchased at \$847.50, amounting to an investment of \$21,862.50. After this, there were no further purchases until 1895 when 125 second-hand cars were bought at \$771.24, an investment of \$96,405.08. This provided an equipment of 242 cars at an investment of \$198,642.58.

Subsequently, as the business grew, requiring more cars, more of these were added from time to time. At that time the cars were operated at a moderate profit and it is only in recent years, since 1911 in fact, that the cars have shown a loss in operation, owing to the greatly increased amount of depreciation which has followed on the higher initial cost of the new cars, which to-day cost \$3,500 and the increased cost of all labor and materials necessary for their upkeep and repair.

On the other hand, the rates allowed us for mileage by the railroads have not kept increasing in proportion to the increased expenses, which has caused the cars in recent years to be an expense rather than carrying themselves.

Another contributing factor has been the increase of upkeep owing to the increasingly rough handling the cars have had from the railroads. The present practice of handling long heavy trains has greatly increased the wear and tear on car equipment owing to the greater concussion in stopping and starting these long, heavy trains, and the handling of cars in switching, particularly in yards where a hump is used, has caused much heavier wear and tear than formerly.

Mr. ESCH. I do not care to ask any more questions, Mr. Chairman.

The CHAIRMAN. In connection with Mr. Esch's inquiries, do you object to the railroads owning the stockyards?

Mr. SINCLAIR. To the railroads owning the stockyards?

The CHAIRMAN. Do you object to the railroad companies owning the stockyards to which they deliver cattle on shipments?

Mr. SINCLAIR. I do not think so; no.

The CHAIRMAN. Do you not regard the stockyards as a proper terminal facility of the railroads?

Mr. SINCLAIR. I suppose it is, really; yes.

The CHAIRMAN. Do you think it is essential to the business of the packers that they should own these stockyards?

Mr. SINCLAIR. I would not say so. We do not hold any stockyards.

The CHAIRMAN. Then you do not object to divorcing the stockyards from packer ownership, do you?

Mr. SINCLAIR. I do not think so, Mr. Chairman. As far as we are concerned it would not affect us in any way.

The CHAIRMAN. It would not affect you if the railroads owned them?

Mr. SINCLAIR. I do not think so.

The CHAIRMAN. Do you not think that the ownership of a stockyard by a packer company has a natural tendency to give an advantage in the purchase of stock to those packing companies that do own the stockyards over purchasers of animals who do not own them?

Mr. SINCLAIR. We have never found it so.

The CHAIRMAN. There has been practically no competition, as I gather from your statement, between you and the large packers; in fact, there has been a theoretical competition, but I do not believe they have ever been in your way from what you say.

Mr. SINCLAIR. They are buying livestock in our Indianapolis yards and we buy livestock in the western yards at times where they are buying.

The CHAIRMAN. And they are buying in the yards as between themselves apparently in competition?

Mr. SINCLAIR. We do not know anything about that. When we go there we buy really the stock we want and we have always been able to do so without any interference.

The CHAIRMAN. Then you do not think it is in the public interest for the railroad companies to own these stockyards which are terminal facilities of the railroads. You do not think it is necessary in the public interest, or that it would be in the public interest for the railroads to own them instead of the packers?

Mr. SINCLAIR. Well, we have not found any necessity for that so far as our business has been concerned.

The CHAIRMAN. I am speaking of the whole business; not simply Kingan & Co.'s business. I am speaking of the effect it has upon the public interest, generally.

Mr. SINCLAIR. I do not know that it would make any difference.

The CHAIRMAN. You say the railroad companies do the icing of your cars after they leave your plant?

Mr. SINCLAIR. They do.

The CHAIRMAN. Is that icing efficiently done?

Mr. SINCLAIR. Yes.

The CHAIRMAN. They can do that part of the service?

Mr. SINCLAIR. Yes; they can do that part.

The CHAIRMAN. And is not that an essential part of it?

Mr. SINCLAIR. It is.

The CHAIRMAN. Without it you could not operate the cars?

Mr. SINCLAIR. No.

The CHAIRMAN. But you are afraid for the railroad companies to have anything further to do with these cars, besides the mere icing of them?

Mr. SINCLAIR. Well, it is a question of maintaining the supply from day to day. We must have cars this morning to ship our fresh meat that we have prepared, because it will not keep. The fresh meats are not frozen, they are only chilled, and if they are not shipped out, or if there is any delay along the line, the meat goes stale. The business is being done in a very close way in that respect. There is not much time to lose.

The CHAIRMAN. Then it is essential to the success of your business for you to own these cars, as I understand you.

Mr. SINCLAIR. We think so; yes.

The CHAIRMAN. Then, how is the packer, who does not own cars, going to compete with you when you do own them, and, as you say, they are essential to your success?

Mr. SINCLAIR. I think most people who are doing an interstate business own some cars.

The CHAIRMAN. All of them?

Mr. SINCLAIR. I do not know that all of them do; but I know a good many of them do.

The CHAIRMAN. Then, it comes down to this point: It is essential, in order to do a packing business in interstate commerce, to own the cars.

Mr. SINCLAIR. If you are doing a branch house business, such as ours. There are some businesses where they do not make very many fresh meats, where they cure nearly all of their products.

The CHAIRMAN. I am talking about doing a fresh-meat business, and the business being open to everybody who wants to engage in it, and unless they are able to own and have capital sufficient to own refrigerator meat cars, just as you claim you own them—and you admit you do own them.

Mr. SINCLAIR. Yes.

The CHAIRMAN. Then, they can not go into this competitive business with you who do own the cars and be on an even balance with you?

Mr. SINCLAIR. I have meant it could not be done as efficiently as we can do it.

The CHAIRMAN. If you can not do it as efficiently, then you can not earn as much money, can you?

Mr. SINCLAIR. No.

The CHAIRMAN. Yet you expect every packer—against such competition as you can afford—to struggle along until he gets strong enough, in spite of that competition, to furnish himself with the same facilities in the way of private cars that you have now?

Mr. SINCLAIR. We grew up in that way.

The CHAIRMAN. And you would propose that everybody must grow up in that way or not succeed. I assume you want to make

that a condition that they are not to have the use of your cars or be on equal terms with yourself, that they must fight the competition that you are able to furnish by reason of your car ownership until they—in some way or other—get strong enough and prosperous enough, so that in spite of you and those who do own cars, they become able to own their own cars?

Mr. SINCLAIR. Well, there are some businesses, as I said a moment ago, which have developed along different lines. There are not very many packers who have developed along the line of distributing fresh meats and highly perishable articles through branches. Some people do not want to.

The CHAIRMAN. Now, do you state as a witness, before this committee, that your private cars are open to the public on equal terms with yourself in the use of those cars?

Mr. SINCLAIR. We have an understanding that the cars be returned to us.

The CHAIRMAN. I am talking about actual practice and as to contracts that you may have with the railroad companies for carrying those cars. Are they open to any and everybody? Suppose I wanted to ship some fresh meats in one of your refrigerator cars and it was at the station in my city?

Mr. SINCLAIR. You can do it.

The CHAIRMAN. Have I the right to do it?

Mr. SINCLAIR. I know it is done.

The CHAIRMAN. And you have no objection to it?

Mr. SINCLAIR. We would rather not, because we are counting on that car coming back and being reloaded again.

The CHAIRMAN. If it is a fact that these refrigerator cars are open to the general public, why should not the stockyards be open to the general public?

Mr. SINCLAIR. In what way are they not open to the general public?

The CHAIRMAN. In other words, they should not be owned by the packers.

Mr. SINCLAIR. Oh.

Mr. WINSLOW. Mr. Chairman, may I interject one question?

The CHAIRMAN. I am just waiting for him to answer the question.

Mr. WINSLOW. I would like to have him explain one thing.

Mr. RAYBURN. I thought he answered that question a while ago when he said he had no objection to the transportation companies controlling the stockyards.

The CHAIRMAN. You have no objection to the railroads owning the stockyards?

Mr. SINCLAIR. No; I have not.

The CHAIRMAN. I understood you to object to licensing—in other words, to object to anything different from what is now being done.

Mr. SINCLAIR. No; we stated in our brief—

The CHAIRMAN. I beg your pardon, if I overlooked that. You are opposed to Federal licensing of you or any one else to do this business and to placing any terms or conditions on that service.

Mr. SINCLAIR. Yes; on the selling end of the business.

The CHAIRMAN. On the selling end?

Mr. SINCLAIR. Yes; that is what we are particularly referring to.

The CHAIRMAN. I did not catch it that you had qualified it in that way.

Mr. SINCLAIR. Our statement says that we do not want the facilities which we have had to provide for ourselves, which we could not get anybody else to provide, in the way of both branch houses and cars, we do not want them licensed or controlled, because that is the natural outlet for the product.

The CHAIRMAN. I may have misunderstood you. Mr. Doremus, have you any questions?

Mr. DOREMUS. I believe Mr. Winslow wants to ask a question.

Mr. WINSLOW. I merely wanted him to explain one statement in connection with a question the chairman asked. I do not remember hearing the witness state who did own the stockyards in Indianapolis. Is that your location?

Mr. SINCLAIR. Yes; Indianapolis.

Mr. WINSLOW. By whom or by what company are the stockyards there owned?

Mr. SINCLAIR. The Belt Railroad & Stock Yards Co. owns the stockyards.

Mr. WINSLOW. And not the railroad?

Mr. SINCLAIR. No; it is not the railroad's.

Mr. WINSLOW. But some private corporation?

Mr. SINCLAIR. It is a private corporation.

Mr. WINSLOW. I thought that might clear up the subject a little bit.

Mr. DOREMUS. Mr. Sinclair, do you want the committee to understand that your privately owned refrigerator cars are open to the use of your competitors?

Mr. SINCLAIR. They are used by our competitors.

Mr. DOREMUS. And in what way are you reimbursed for their use?

Mr. SINCLAIR. I do not know that we ever are. If we lose track of them, I do not think we are reimbursed. We get mileage on them.

Mr. DOREMUS. How does it happen that your competitors use your own refrigerator cars without your knowledge, or does that practice exist by virtue of some arrangement you have with your competitors?

Mr. SINCLAIR. No; we may ship a carload of meat to the man we have sold it to, and he may reload that car for his own use to ship to some point that he wants to ship to.

Mr. DOREMUS. Do we understand from that that you have no control over your own car?

Mr. SINCLAIR. Not entirely in that respect.

Mr. DOREMUS. You have contracts with the railroads, of course, for the transporting of your own refrigerator cars?

Mr. SINCLAIR. With reference to Mr. Esch's question as to whether we, as owners of refrigerator cars, have any written contract with the railroads for their operation, we would refer also in this connection to page 814, Mr. Doremus's questions on the same subject.

We have not at the present time, nor have we ever had any written contract with the railroads as to the operation of our refrigerator cars. There is an unwritten understanding between the carriers that a privately owned refrigerator car will be returned empty over the same route that it moved under load when it best suits their convenience to do so.

However, when the railroads have a load of similar product moving in the opposite direction they are at liberty to use the car for return loading in the direction of home.

Mr. DOREMUS. I am reminded by Gov. Sanders that you must have a written contract with the railroad?

Mr. SINCLAIR. I do not know of it, if there is; but there may be.

Mr. DOREMUS. Will you look into that matter for us, and if you have a contract with the railroads have it filed as a part of your hearing.

Mr. SINCLAIR. I will; yes.

Mr. DOREMUS. What was your turnover last year?

Mr. SINCLAIR. We figure the value of our plants and branch houses in the United States at \$4,775,000.

Mr. DOREMUS. Do you know how that would compare with Armour & Co.'s turnover?

Mr. SINCLAIR. I do not know what their turnover was. I saw in the newspapers the other day—no; their statement has not been published. I have not seen it. I do not know what it is.

Mr. DOREMUS. Do you know how that would compare with Swift & Co.?

Mr. SINCLAIR. I saw their turnover in the paper the other day. I do not recollect what the figures were.

Mr. ESCH. Sales in excess of \$1,200,000,000.

Mr. SINCLAIR. It was over \$1,000,000,000, I know.

Mr. DOREMUS. That was Swift & Co.?

Mr. ESCH. Yes.

Mr. DOREMUS. Mr. Sinclair, what is the value of your plant?

Mr. SINCLAIR. I would say—this is speaking from recollection—the value is between ten and twelve million dollars.

Mr. DOREMUS. Does that include the value of the Richmond plant?

Mr. SINCLAIR. Yes; that includes the value of the Richmond plant and our branches.

Mr. DOREMUS. What is your capital investment?

Mr. SINCLAIR. The authorized capital is \$5,000,000.

Mr. DOREMUS. How much paid in?

Mr. SINCLAIR. Three million five hundred thousand dollars.

Mr. DOREMUS. What rate of earnings did you pay on your capital investment last year?

Mr. SINCLAIR. You mean dividends?

Mr. DOREMUS. Dividends to stockholders.

Mr. SINCLAIR. I think the dividend was 10 per cent—the first year we have ever paid 10 per cent.

Mr. DOREMUS. Do you carry any of your earnings into surplus?

Mr. SINCLAIR. Yes.

Mr. DOREMUS. How much?

Mr. SINCLAIR. It amounts to about \$8,700,000.

Mr. DOREMUS. \$8,700,000 last year?

Mr. SINCLAIR. No; that is the total accumulated reserve.

Mr. DOREMUS. That is what you have in your surplus now?

Mr. SINCLAIR. Yes.

Mr. DOREMUS. How many years have you been accumulating that surplus?

Mr. SINCLAIR. About 45 years.

Mr. DOREMUS. Did you declare any stock dividends last year?

Mr. SINCLAIR. Not last year.

Mr. DOREMUS. When did you declare your last stock dividend?

Mr. SINCLAIR. About 20 years ago.

Mr. DOREMUS. And none since that time?

Mr. SINCLAIR. None since that time.

Mr. DOREMUS. What did you add to your surplus last year?

Mr. SINCLAIR. You mean for the year?

Mr. DOREMUS. For 1918, or according to how you keep your books. Do you keep them by the calendar year?

Mr. SINCLAIR. No; we ended our year October 31, 1918.

Mr. DOREMUS. What did you carry into surplus for that year?

Mr. SINCLAIR. We have not our books finally closed yet. We have not got things finally fixed up.

Mr. DOREMUS. What did you carry into surplus the year before?

Mr. SINCLAIR. \$1,083,631.75 for 1917. I might add that this amount may seem large to the committee, but the business that year showed a considerable profit because of the fact that the year started with live hogs at 9 $\frac{3}{4}$ cents and the price steadily advanced all the year until it was around 19 cents, thus there was a steady advance in values through the year, and the apparent profit was largely on account of the increase in the value of the inventory. We are shortly approaching the time when the very reverse will happen, when we are getting down from the present war level of prices, and any earnings made in the process of going up will be very fully required to offset the losses in coming down to a normal level again.

Mr. DOREMUS. From the general character of your business, there is much difference between your business and that of the five big packers, so-called. I gathered that from what you said in answer to Mr. Esch's question.

Mr. SINCLAIR. We do a meat-packing business.

Mr. DOREMUS. But you do not handle all these side lines that the five big packers handle?

Mr. SINCLAIR. No; we have not gone into them.

Mr. DOREMUS. You sell lard, of course?

Mr. SINCLAIR. Yes; that is a natural product.

Mr. DOREMUS. Do you sell any of the substitutes for lard?

Mr. SINCLAIR. We do not manufacture any compound. We buy what compound we sell.

Mr. DOREMUS. What substitutes do you buy and sell to the public?

Mr. SINCLAIR. What is commonly known as compound lard.

Mr. DOREMUS. Do you manufacture or buy and sell any other substitutes for meat products?

Mr. SINCLAIR. No.

Mr. DOREMUS. I take it from that statement that all the commodities you ship in these peddler cars are related products—legitimate by-products of the meat business?

Mr. SINCLAIR. We do a little business in butter, cheese, and eggs now and then.

Mr. DOREMUS. And to that extent the general character of your business differs materially from that transacted by the five big packers?

Mr. SINCLAIR. Yes; I would say so.

Mr. DOREMUS. Where do you buy the most of your live stock?

Mr. SINCLAIR. In Indianapolis.

Mr. DOREMUS. Can you tell us about what proportion of your live stock you buy in Indianapolis?

Mr. SINCLAIR. I would say in recent years it has been about 90 per cent.

Mr. DOREMUS. Where else do you buy?

Mr. SINCLAIR. We buy in Nashville and Louisville, East St. Louis, Peoria, Kansas City, Omaha, and we have bought in Sioux City, St. Paul, and Chicago.

Mr. DOREMUS. Can you tell us what percentage of your live stock you buy in the Chicago market?

Mr. SINCLAIR. It is very small.

Mr. DOREMUS. Very small?

Mr. SINCLAIR. Yes.

Mr. DOREMUS. How about Sioux City?

Mr. SINCLAIR. We have not bought there in recent years to any great extent.

Mr. DOREMUS. As a matter of fact, you buy very little in Chicago and in the western markets.

Mr. SINCLAIR. It is only in case our local receipts are small that we buy in the western markets, and we have not done much outside buying like that in the last two years, because Indiana has been raising a great many hogs.

Mr. DOREMUS. Do any of the five packers, to your knowledge, buy extensively live stock in Indianapolis, Nashville, and these other places?

Mr. SINCLAIR. They all do.

Mr. DOREMUS. To any considerable extent?

Mr. SINCLAIR. Armour has a packing house in Indianapolis, and his purchases I would think are about 1,000 hogs a day or something like that. Swift are the largest of the outside buyers in Indianapolis.

Mr. DOREMUS. Where do you buy your live stock for your Richmond plant?

Mr. SINCLAIR. We buy that locally in Richmond and also in Louisville and Nashville, principally; sometimes Cincinnati.

Mr. DOREMUS. Would it be a correct statement to say that so far as the live-stock market is concerned, you are not brought into any serious competition with the five large packers?

Mr. SINCLAIR. No; I would say we are in active competition with them. Swift are buying hogs on the Indianapolis market almost every day, and so are Armour.

Mr. DOREMUS. You buy 90 per cent in Indianapolis?

Mr. SINCLAIR. Yes.

Mr. DOREMUS. And you say Armour & Co. has a packing house at Indianapolis?

Mr. SINCLAIR. Yes.

Mr. DEWALT. Mr. Doremus, will you please ask the witness whether he knows the proportion of purchases between Armour and Swift at Indianapolis as compared with their purchases?

Mr. DOREMUS. I did ask him that. Can you answer that question?

Mr. SINCLAIR. The percentage?

Mr. DEWALT. Proportionately, are the purchases of Armour and Swift larger than your purchases? You say you purchase 90 per cent at Indianapolis.

Mr. SINCLAIR. That is 90 per cent of our own purchases.

Mr. DEWALT. How does that compare in value with the purchases of Armour and Swift at the same point?

Mr. SINCLAIR. It is materially more than Armour and it is a good deal more than Swift.

Mr. DEWALT. It is a good deal more than Swift?

Mr. SINCLAIR. Yes; it is a good deal more than Swift.

Mr. PARKER of New Jersey: Could I put practically the same question? What proportion of the total sales at the Indianapolis stock-yards do you buy?

Mr. SINCLAIR. I suppose we get around 40 per cent.

Mr. PARKER of New Jersey. And 60 per cent are sold outside?

Mr. SINCLAIR. I would like to amplify my statement as to the disposition of the hog receipts in the Indianapolis yards and append a table showing the relative purchases of the different buyers, with percentages:

Hog receipts at Indianapolis.	1916		1917		1918	
		<i>P. ct.</i>		<i>P. ct.</i>		<i>P. ct.</i>
Kingan & Co.....	1,100,110	42	877,345	37	1,017,358	37
Swift & Co.....	331,775	13	299,230	13	429,985	15
Armour & Co.....	30,688	1 $\frac{1}{2}$	157,814	6	106,688	4
Eastern packers and butchers.....	732,615	29 $\frac{1}{2}$	725,284	32	925,739	34
Local packers and butchers.....	381,423	14	291,057	12	270,206	10
Total.....	2,576,611	-----	2,350,730	-----	2,749,976	-----

Mr. DEWALT. That answers the question.

Mr. DOREMUS. That is all I have to ask, Mr. Chairman.

The CHAIRMAN. Mr. Hamilton, have you any questions?

Mr. HAMILTON. I have just a question or two. Mr. Sinclair, in response to a question propounded by Mr. Esch, you stated, as I understood you, that refrigerator cars were used in the distribution of groceries. What did you mean by groceries?

Mr. SINCLAIR. No; I did not say groceries. If I did, I conveyed a wrong impression.

Mr. HAMILTON. I thought it was somewhat inconsistent with certain other statements, and therefore I asked you the question.

Mr. SINCLAIR. No; I did not say groceries.

Mr. HAMILTON. You do not use these refrigerator cars for any purpose other than the distribution of the products of the animals you slaughter?

Mr. SINCLAIR. No.

Mr. HAMILTON. Under the laws of what State is your corporation organized?

Mr. SINCLAIR. We are an English corporation organized on the other side.

Mr. HAMILTON. And organized some 50 years ago?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. Is your corporation represented on the Food Administration?

Mr. SINCLAIR. No.

Mr. HAMILTON. It has been stated here that certain dollar-a-year men have been drawn upon by the Food Administration for counsel and advice with relation to the license system in operation during

the war, and that certain of these dollar-a-year men came from the so-called five big packers. You say Kingan & Co. have furnished no experts?

Mr. SINCLAIR. No; we have not furnished any experts.

Mr. HAMILTON. For the assistance of the Food Administration?

Mr. SINCLAIR. No; we have required all our talent to run our own business.

Mr. HAMILTON. You stated that there was a corporation owning the stockyards at Indianapolis. What is the name of that corporation?

Mr. SINCLAIR. It is called the Belt Railroad & Stockyards Co.

Mr. HAMILTON. Do any of your people own stock in the Belt Railroad & Stockyards Co.?

Mr. SINCLAIR. Not to any appreciable extent.

Mr. HAMILTON. To some extent then?

Mr. SINCLAIR. I own 110 shares, common stock, \$50 par value, purchased in 1913 and 1915, at existing market prices. I bought these merely as an investment in an Indiana corporation, as the taxes on them are paid at the source.

Mr. Samuel Ried, of Kingan & Co., also owns 40 shares, preferred stock, \$50 par value, purchased as an investment of the same character.

Mr. HAMILTON. Any other in your corporation?

Mr. SINCLAIR. Not that I know of.

Mr. HAMILTON. And you say that no other stockholder of Kingan & Co., so far as you know, owns any stock?

Mr. SINCLAIR. Not that I know of.

Mr. HAMILTON. Is this stockyards corporation?

Mr. ESCH. Mr. Hamilton, you might ask him whether the other packers own any stock in that company.

Mr. HAMILTON. Yes; that is the next question. Mr. Sinclair, will you answer that question?

Mr. SINCLAIR. I do not know it if they do.

Mr. HAMILTON. You have not investigated that?

Mr. SINCLAIR. No.

Mr. HAMILTON. Would you be able to ascertain that before you go over your testimony here?

Mr. SINCLAIR. I do not know whether I could get access to the list of shareholders of the company or not.

Mr. HAMILTON. Very well; if you are able to obtain any information in relation to that the committee, of course, would like to know about it.

Mr. SINCLAIR. I have not been able to obtain access to a list of the shareholders of the Belt Railroad and Stockyards Co. However, I understand that none of the larger packers own any stock in the company, and as I said in my testimony, neither does Kingan & Co.

Mr. HAMILTON. Mr. Sinclair, when your corporation takes these excursions into outlying territory for the buying of live stock, I understood you to say that you are in competition with other packing corporations?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. In actual practice do you not accommodate yourself in a general way to the prices prevailing on the particular day, or days, that you buy at those stockyards where you buy?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. In your experience, who fixes the prices to be paid from day to day in these stockyards?

Mr. SINCLAIR. I think the value of live stock is established by the demand there is for the product of the live stock.

Mr. HAMILTON. You mean to say the law of supply and demand governs?

Mr. SINCLAIR. As far as we know, absolutely.

Mr. HAMILTON. So far as you know, absolutely?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. It has been stated here, if I am not in error in my recollection, that in the buying of stock the five packers apportion among themselves the buying from day to day. Have you had any opportunity to observe any such fraternal apportionment?

Mr. SINCLAIR. No; we have not. We have not any knowledge of it.

Mr. HAMILTON. Well, if you wanted stock pretty badly, you could not get it if the five packers did not want you to get it, could you?

Mr. SINCLAIR. It depends on who is willing to pay the most for it. I think the fellow who will pay the highest price will get it.

Mr. HAMILTON. Theoretically, yes; that is the good, old-fashioned notion about competition.

Mr. SINCLAIR. I think you will find that in practice, too. We do. We find that absolutely.

Mr. HAMILTON. Have you had such experiences with these five packers in the stock you have bought?

Mr. SINCLAIR. I could not give specific instances.

Mr. HAMILTON. There are friendly, commercial relations between you and the five packers, are there not?

Mr. SINCLAIR. Well, we know them and they know us, just like any competitors in a business do.

Mr. HAMILTON. And if you should appear at Omaha or Sioux City, and tell the representatives of the five packers that you had to have so many head of cattle of a certain grade on a certain day, they would not oppose your obtaining those cattle, very strenuously, would they?

Mr. SINCLAIR. I think if they wanted them, they would. When we go to an outside stockyards to buy we do not tell the representatives of the other packers what we want—or that we are in the market. We place our order, by telegram usually, with the commission man or order buyer we use, and he executes the order, and it is not necessarily known for whom he is buying.

Mr. HAMILTON. But they would not want them very badly that day, would they?

Mr. SINCLAIR. I do not know. I could not say as to that.

Mr. HAMILTON. Have you ever noticed that your appearance on the market has caused a bulge in prices the day that you appeared?

Mr. SINCLAIR. I do not know that we are enough of a factor in the business to do that.

Mr. HAMILTON. Precisely.

Mr. SINCLAIR. I would like to qualify that by saying that it depends on how much the receipts are at that particular point on that day. If there are small receipts and a great many orders, the prices will naturally go up and we will be a factor along with the others in wanting the stuff and putting the price up.

Mr. HAMILTON. Of course, that is the theory of it. I was trying to get at the practice.

Mr. SINCLAIR. I would say that was the practice, so far as our experience is concerned.

Mr. HAMILTON. In the sale of your meats, do you send your peddler cars out through Indiana mostly?

Mr. SINCLAIR. Yes; Indiana and Ohio, and sometimes into Illinois.

Mr. HAMILTON. Are your territorial limits of purchase respected by your competitors?

Mr. SINCLAIR. We have no territorial limits.

Mr. HAMILTON. I understood you to say, or I got the general idea that, first, you are located in Indiana?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. And then that you do business at Nashville?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. And that you do a business at Richmond?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. That you do business very largely in Indiana and in certain Southern States?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. By way of purchase. I am speaking now of purchase.

Mr. SINCLAIR. Yes.

Mr. HAMILTON. And you have not been buying very extensively in the western yards of late?

Mr. SINCLAIR. No.

Mr. HAMILTON. And your purchases at Chicago are negligible?

Mr. SINCLAIR. They are.

Mr. HAMILTON. Now, as to sales of your product, you are selling, as I gathered, only the products of the animals you slaughter.

Mr. SINCLAIR. Practically speaking; yes.

Mr. HAMILTON. And outside of Indiana your market is largely in the East, of course.

Mr. SINCLAIR. Yes.

Mr. HAMILTON. Do you have cold-storage establishments in the East?

Mr. SINCLAIR. I would not call them cold-storage establishments. They are what are called beef coolers.

Mr. HAMILTON. Beef coolers?

Mr. SINCLAIR. Yes; where they are carried at a temperature of about 35 degrees, so that the beef will not freeze.

Mr. HAMILTON. Exactly.

Mr. SINCLAIR. For chilled beef.

Mr. HAMILTON. That is, you ship a certain portion of your output to these coolers for preservation?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. And sale in the territory tributary to each cooler?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. Do you undersell your competitors?

Mr. SINCLAIR. That depends, I think, there again on the law of supply and demand. If we are liberally supplied with fresh meats, and have got to move them, we will naturally make a lower price on them than we would otherwise.

Mr. HAMILTON. If you have a heavy supply?

Mr. SINCLAIR. Yes. If the weather changes—

Mr. HAMILTON. By the way, describe one of these coolers. What is it?

Mr. SINCLAIR. Well, it is a chamber with ammonia pipes.

Mr. HAMILTON. It is a chamber, but is it not more than a chamber? Isn't it a large establishment for the accommodation of your products?

Mr. SINCLAIR. Well, a cooler is a part of a branch house, you see. A branch house is not all cooler space.

Mr. HAMILTON. Very well, then, you differentiate—what I refer to as cold storage you refer to as a "branch house."

Mr. SINCLAIR. Well, the branch house—most of the branch houses have cooler space in them, equipped for doing beef business.

Mr. HAMILTON. What is the business of your branch house?

Mr. SINCLAIR. It sells beef and fresh pork, and, in a good many cases, we smoke hams.

Mr. HAMILTON. It is a distributing point, then, for your products?

Mr. SINCLAIR. It is.

Mr. HAMILTON. For illustration, you have a branch house in New York?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. A branch house in Boston?

Mr. SINCLAIR. No.

Mr. HAMILTON. And one in Washington?

Mr. SINCLAIR. We have one here in Washington and one in Philadelphia, one in Baltimore, and one in Harrisburg.

Mr. HAMILTON. You distribute a large amount of meat products per annum?

Mr. SINCLAIR. We do.

Mr. HAMILTON. Taking it over a given period, for illustration, of one month, ordinarily, do your prices run under, to the consumer—and by the consumer I assume you are selling to the retail market?

Mr. SINCLAIR. We sell to the retail dealer mostly.

Mr. HAMILTON. Now, if your prices were under your competitor's, the retail dealer would patronize you exclusively, would he not?

Mr. SINCLAIR. As a rule he will; yes.

Mr. HAMILTON. If you sold to any considerable extent under your competitor you would outgrow them rapidly, would you not?

Mr. SINCLAIR. If I could last out I would.

Mr. HAMILTON. If you could last out. Why can't you last out?

Mr. SINCLAIR. I presume I would be losing on the goods.

Mr. HAMILTON. Why should you lose money?

Mr. SINCLAIR. I don't want to.

Mr. HAMILTON. I say why would you?

Mr. SINCLAIR. There are certain times—

Mr. HAMILTON (interposing). You buy discreetly?

Mr. SINCLAIR. Yes.

Mr. HAMILTON. And they do not, if I understand you—they do not fix the prices that you pay for the stock?

Mr. SINCLAIR. I know.

Mr. HAMILTON. And you can undersell your competitors a fraction of a cent, or a cent, or whatever it might be?

Mr. SINCLAIR. Well, I don't want to convey the impression that we can turn our goods out cheaper than any other man.

Mr. HAMILTON. No; but—well, I beg pardon. I won't interrupt you. Proceed with your answer.

Mr. SINCLAIR. I mean that there are occasions when our price may be lower than the other man's price, if we are at the moment well supplied—

Mr. HAMILTON (interposing). They are not habitually lower.

Mr. SINCLAIR. They are not habitually lower; no, sir.

Mr. HAMILTON. On the whole they run on about the same scale.

Mr. SINCLAIR. I think we get rather higher prices for the most of our products.

Mr. HAMILTON. Rather higher prices for most of your products?

Mr. SINCLAIR. We do.

Mr. PARKER of New Jersey. Give the cause of it.

Mr. SINCLAIR. Because we turn out what we consider, and think the trade considers, a very high quality of goods.

Mr. HAMILTON. You cater to the elite?

Mr. SINCLAIR. We try to do our business as well as we know how and turn out the goods as best we know how.

Mr. HAMILTON. Can't the packers—the five packers, so-called—compete with you as to quality?

Mr. SINCLAIR. Well, some people think so; some people would prefer their goods to ours.

Mr. HAMILTON. Then, you want us to understand that your trade has developed on account of your reputation for quality?

Mr. SINCLAIR. That is the reputation our house has—that we turn out high-quality goods.

Mr. HAMILTON. Then, you do not choose to underbid your competitors as to prices you make on the commodities sold by you?

Mr. SINCLAIR. We do at times. There are times when we will be a little lower than the other man will be.

Mr. HAMILTON. But you say you are turning out a better product than they are.

Mr. SINCLAIR. Well, we are dealing in perishables, and perishables can not be held. If, for instance, in Washington our man here has a liberal supply of fresh pork loins, and they have been moving very well in nice, cool, frosty weather, and suddenly the weather turns warm, the demand for fresh pork immediately eases up, and we have got to bring the price down in order to move them, and we may make a loss on that particular shipment, but it averages up.

Mr. HAMILTON. Well, that same condition applies to all the packers?

Mr. SINCLAIR. It does; yes; and we may be temporarily lower than the other man, or he may be temporarily lower than us through some such conditions as that, which are arising all the time.

Mr. HAMILTON. I had to pay last night for part of my dinner, 85 cents for an English mutton chop and a baked potato. Is there any reason why the consumer habitually should be obliged to pay those prices now?

Mr. SINCLAIR. It would be very choice mutton.

Mr. HAMILTON. It was not so very choice.

Mr. DOREMUS. Will you tell the rest of the committee where you get those cut rates? [Laughter.]

Mr. HAMILTON. Well, I don't care to ask any more questions.

The CHAIRMAN. There was one question I forgot to ask and intended to ask. About what per cent of the animals that you buy, hogs and cattle, are sold as fresh meat?

Mr. SINCLAIR. Well, all the beef, or practically all the beef, is sold as fresh meat, with the exception of the canners. There are certain classes of cattle that are bought for canning. They are, of course, not sold fresh. Parts of them are. But of the hogs, there are only certain parts of the hogs that are sold fresh. The whole hog is not sold fresh, and I imagine the percentage—

The CHAIRMAN (interposing). I don't mean the percentage of the animal itself; but the percentage of your business, the volume of it, the hog business. Now, about how much of that is sold as fresh meat and about how much is sold as cured or otherwise prepared meat?

Mr. SINCLAIR. You mean in tonnage? The percentage in tonnage?

The CHAIRMAN. I mean the percentage in value. What percentage in value of your hog purchases are sold strictly as perishable fresh meat?

Mr. SINCLAIR. Well, it would have to be an estimate. I have no specific figures on that in my mind.

The CHAIRMAN. You have been with the company long enough to have a pretty good idea, haven't you?

Mr. SINCLAIR. I would say about 30 per cent of the hog is sold fresh.

The CHAIRMAN. About 30 per cent is fresh and the rest in some other form. I know I have been eating your hams and bacon so long that I have an idea you did not make anything but hams and breakfast bacon, and I always buy them when I can get them in preference to anybody else's.

Mr. WINSLOW. Mr. Chairman, I have to go to the floor. May I ask the gentleman a few questions?

The CHAIRMAN. Certainly.

Mr. WINSLOW. You are regarded as what is known as an independent corporation, your packing houses?

Mr. SINCLAIR. Yes, sir.

Mr. WINSLOW. As such do you feel in the conduct of your business any pressure of what you would call an undesirable or illegitimate character from any combination of packers or any packer in this country?

Mr. SINCLAIR. We do not.

Mr. WINSLOW. You are quite willing to paddle your own canoe and are glad to do it?

Mr. SINCLAIR. We are.

Mr. STEPHENS. I noticed in your answer to the question a few minutes ago, Mr. Sinclair, that you do not engage in the manufacture of by-products made from the raw material in your establishment.

Mr. SINCLAIR. No.

Mr. STEPHENS. Now, what do you do with your raw material that comes from the slaughtering of the animals?

Mr. SINCLAIR. We sell our tankage to the fertilizer concerns in the South, generally.

Mr. STEPHENS. And what do you do with your hides?

Mr. SINCLAIR. Our hides we sell to the tanners.

Mr. STEPHENS. You don't tan them yourself?

Mr. SINCLAIR. We don't tan them ourselves.

Mr. STEPHENS. You are not interested in the tanning business indirectly?

Mr. SINCLAIR. No. Our hair we sell to people who dry hair.

Mr. STEPHENS. And the horns you sell to people who deal in them?

Mr. SINCLAIR. To the glue men.

Mr. STEPHENS. You find no disadvantage in selling this raw material to various concerns that engage in the industry of manufacturing articles out of them?

Mr. SINCLAIR. No.

Mr. STEPHENS. You think you do just as well by selling the raw material as you would if you engaged in the manufacturing of it?

Mr. SINCLAIR. I do not know that I would say that. We are quite content to do it anyway. We don't want to get into the other side of it.

Mr. STEPHENS. Now, I noticed in the testimony a few days ago that in Denver there are only two buyers there for the meat animals that come to that market, and the testimony showed that they divided the buy on the basis of 50-50. Now, do you know any reason why they should not do that? That is to say, is there any real logical reason why, where the yards are controlled by the packers, they should not pay just what they please for the product they buy? Is it not a condition that prevails wherein the price could be constantly lowered to a point where it would barely be sufficient to still retain the yards and draw the cattle in?

Mr. SINCLAIR. I think if they got the market too low it would attract outside shipping demand, as always happens. That would correct itself.

Mr. STEPHENS. Is it a fact that there is any discrimination against the producer who attempts to ship his cattle from the Denver market; for example, to Omaha?

Mr. SINCLAIR. We have had no experience of that.

Mr. STEPHENS. You have had no experience of that kind?

Mr. SINCLAIR. No.

Mr. STEPHENS. Now, in the yards at Indianapolis, do you have any acquaintance with the buying of the raw product?

Mr. SINCLAIR. No; I have a general say as to the thing from time to time.

Mr. STEPHENS. But you have not a personal acquaintance with the practices of the buyers there in the yards, the men who go out to buy the stock as it comes in? You don't know what their practices are?

Mr. SINCLAIR. Well, we know the way we want them to act and we know our men, and we have every confidence that they will act in the way we want them to act. They are men we have every confidence in.

Mr. STEPHENS. Well, there is no reason, so far as you can see, why your concern or any other concern would pay any more for this stock than it has to? When you go into the market to buy stock you are not going to pay any more than you have to, more than the market compels you to pay? That is perfectly natural.

Mr. SINCLAIR. Yes.

Mr. STEPHENS. Now, isn't it also perfectly natural that where there are only four or five buyers, they are going to agree on the prices—not necessarily enter into any contract, but isn't it perfectly natural that there is going to be an understanding among them as to the price which they will pay for the product that comes in?

Mr. SINCLAIR. I would not say so, because the animals on a particular day, say cattle or hogs, are worth about the same to one man as to another, because they are all selling—we are all selling our stock on the same markets, more or less, and what competitive conditions or market conditions affect one would affect the other also.

Mr. STEPHENS. Now, there is a great fluctuation in prices from day to day in the markets. Swift & Co. give as a reason for that fluctuation in this pamphlet that they put out that the producers glut the market by shipping great quantities of cattle, sheep, hogs, and other meat animals to market on Mondays and Wednesdays, instead of distributing it throughout the week. Of course, the Food Administration has altered that during the war. Do you know whether that is a fact or not?

Mr. SINCLAIR. Well, I think in the Chicago yards their big day of receipts has always been Monday, and I think Wednesday has been a pretty big day, too. I would like to amplify our position in answer to Mr. Stephens's question in regard to the inequality of receipts on different days of the week. I find on going into the question further that the live-stock exchanges for many years have been endeavoring to overcome the prejudice in the "country" that certain days were the proper days to have their stock on the market, and to equalize receipts over the six days of the week, and we understand that a considerable degree of success has been met in the more western markets. As I stated, we as packers would very much prefer to have an even supply on each day of the week, and I would like to state that it is greatly to our interests as packers to see the live-stock raiser succeed, because we have to look to him for our supply of raw material, and if he does not prosper he will not stay in the business, and therefore there will be less animals for us to buy and manufacture. The packing business is done on so close a margin that a large volume is desirable, and this can not be obtained without a liberal production in the "country" of the live animals.

Mr. STEPHENS. Yes; Wednesday is a little short of Monday.

Mr. SINCLAIR. Yes; in fact, on those two days, Mondays and Wednesdays, they get half the product of the week on those two days. I think I have seen statistics as to that.

Mr. STEPHENS. Now, then, is there a tendency to lower the price on those days?

Mr. SINCLAIR. There naturally is; yes.

Mr. STEPHENS. You think that is the general tendency in the yards, as you have observed it, at Indianapolis?

Mr. SINCLAIR. Yes; absolutely.

Mr. STEPHENS. Of course, that hasn't a thing to do with the marketing of the products which is made from those animals, has it? Your consumers are not in any way affecting that?

Mr. SINCLAIR. They will be. If we get the price down, we are likely to take more animals, and we will have a larger supply and lower prices to the dealer.

Mr. STEPHENS. Of course, in that case the producer is the one that pays the fiddler. He is the one that suffers in that case.

Mr. SINCLAIR. Yes; he is.

Mr. STEPHENS. Even now Swift & Co. blame the producers, of course, for glutting the market with cattle on Mondays and Wednesdays, and then the author of this pamphlet seemed to have forgotten himself and he wrote another one, and in this one he says, on page 9 of the pamphlet entitled "Statement of Swift & Co.," issued August 19, 1918—in this statement he says:

A study of the daily hog prices for 1917, as published in the Drover's Journal Yearbook, shows that average prices for all Mondays and Wednesdays throughout the year were slightly higher than the average prices for the other days. This indicates that the Trade Commission must have a very imperfect grasp of the live-stock prices.

Now, your statement is that the trade journal here is wrong then, as quoted by the packers, as proof of their statement, which is in contradiction to their former statement that the average prices paid on Mondays and Wednesdays are higher than they are on other days of the week?

Mr. SINCLAIR. Well, I don't know the facts in that case, other than what you have stated there. I am merely speaking of our experience, of what generally does happen when there are large receipts. It is usually that the market does go lower. I have talked of this situation with our chief live-stock buyer, who from his observations would say that the facts as stated in Messrs. Swift & Co.'s pamphlet are correct, and he gives as the reasons for this apparent contradiction of the natural law of supply and demand, that on those days the quality of the receipts is generally materially better than on other days, which would lead to a higher average price upon that day; that also the large receipts and good quality induce a big buying from both the packers and especially the eastern shippers, buying for eastern packers, who want good quality and are inclined to place their orders in the western markets on the days when large receipts and good quality are to be expected. This combination of circumstances very often creates a larger proportionate demand for the receipts than on other days, and would lead to the average price being higher.

Mr. STEPHENS. Well, the natural thing would be for prices to go down. That would be the natural thing. That is the thing that you and I and other men understand by competition.

Mr. SINCLAIR. Well, is that under the present system of controlling hog prices or cattle prices?

Mr. STEPHENS. No; this is under the old system that prevailed. What I wanted to bring out is this: Why do the farmers ship their cattle on Mondays and Wednesdays? Now, there is no reason for that, excepting that there is some sort of inducement offered to them, is there?

Mr. SINCLAIR. No; in Indianapolis we generally get very few receipts on Mondays.

Mr. STEPHENS. But, of course, in great markets like Chicago and Kansas City, they are all the same.

Mr. ESCH. Will you allow me, Mr. Stephens. That result may be due largely to the matter of transportation by the carriers, in that, by having two shipping days a week they can make full trains

of stock and give them the right of way, and thus expedite the movement.

Mr. SINCLAIR. Yes. In Kansas City and Omaha, their big day, as a rule, is Tuesday, in hogs.

Mr. STEPHENS. In hogs, but this is especially of beef cattle that I am talking about now.

Mr. SINCLAIR. Each market seems to have some presumable transportation reasons that there are some days larger than others.

Mr. STEPHENS. I think that your former statement is correct, and this statement is wrong, Mr. Sinclair. My information seems to be, and I wonder whether or not you will bear me out in it, that the top of the market on Mondays and Tuesdays, perhaps, is higher—I mean Mondays and Wednesdays—than it is on other days of the week, but there may be a very few animals purchased at the top price, and the average might be much under the other days of the week.

Mr. SINCLAIR. That is possible; yes.

Mr. STEPHENS. Because I can not see any other reason why that should be so. I know it ruins the producers, and I know they are not to blame for it; and I am quite sure, as a feeder myself, that Mr. Esch's explanation is not sound. It may operate to a small extent, but the feeders of the country, as a rule, are an intelligent class of business men and they can get cars, and they can ship their animals on any day of the week they think it is to their best advantage to do so, and for some reason or other, they believe it is to their advantage to ship them on Mondays and Wednesdays, and they have a deep-rooted conviction that the deliberate purpose of the packer is to inveigle them into the market on those days for the purpose of congesting the market and bearing down the prices. Do you know whether or not there is any truth in that conviction?

Mr. SINCLAIR. I don't think so. I know that, speaking of it as packers ourselves, we would very much rather have a steady supply come in every day, so that we would not on one day have to buy more hogs than we can kill on the following day and care for.

Mr. ESCH. Right there, Mr. Sinclair, in response to Mr. Stephens's suggestion, Congress may be responsible for this concentration of stock movements on two days of the week, in that we passed the 28-hour law, in which a common carrier can not carry stock more than 20 hours without taking it out, feeding, and watering it. They therefore concentrate the movement to the two days of the week, so they can send through trains at almost express speed, and thus avoid violating the law which Congress has enacted.

Mr. SINCLAIR. That might have something to do with it—to avoid unloading it.

Mr. ESCH. They ship a very large amount on Sundays in order to get rid of that.

Mr. STEPHENS. Mr. Sinclair, I came in contact with a country-hide buyer the other day, and he was greatly agitated over what he thought was an absolutely unfair deal in the matter of the price of hides. He claims that country hides were discriminated against unjustly. What do you know about the price of country hides as compared with packer hides?

Mr. SINCLAIR. I haven't much to do with the hide end of our business, but I understand that country hides, as a rule, are not as well taken off as packer hides.

The values of country hides, as fixed by the War Industries Board in their schedule of maximum prices on hides and skins, during the past nine months will range from 10 to 25 per cent under the value of packer hides, according to the grade. These differences arise through the difference in the value of the various grades of both packer and country hides to the tanner, according to the quality of leather and quantity they will yield. The country hides are not taken off the carcasses as skillfully as the packer hides, resulting in more cuts and blemishes and more flesh left on. They are not handled as uniformly as packer hides; therefore have not so high a value in the yield and grade of leather. The War Industries Board, in fixing the price of hides, have followed and reflected about the same differentials in the values between packer and country hides as were in effect under precontrol conditions. I would like to emphasize the fact that the value of hides is controlled by the demand for leather goods, so that the value of the hide has no relation to the cost of the live animal, but naturally has an effect on the cost of the dressed beef.

Mr. STEPHENS. Do you know what the difference in price is?

Mr. SINCLAIR. I couldn't tell you that.

Mr. STEPHENS. Do you know the difference in price?

Mr. SINCLAIR. No.

Mr. STEPHENS. Has the price been fixed on hides by the Government?

Mr. SINCLAIR. It was, and I think it has been withdrawn, or it will be withdrawn in a few months. I think the announcement has been made that it will be withdrawn.

Mr. STEPHENS. Don't you think that the packers who control the great bulk of the hides of the country would also have a tremendous effect upon the price of them?

Mr. SINCLAIR. In what way?

Mr. STEPHENS. By "bulling" or "bearing" it, either one, as they saw fit, as the circumstances warranted. They have the hides.

Mr. SINCLAIR. I suppose the large buyer or the large owner of stock in any commodity may affect the market. I suppose he would do it in hides.

Mr. STEPHENS. You sell your hides direct to the tanners?

Mr. SINCLAIR. Yes; we do.

Mr. STEPHENS. Now, do you know what the price of hides is at the present time? Do you happen to recall?

Mr. SINCLAIR. No; I don't know. I really couldn't say.

Mr. STEPHENS. Is the price of hides related to the price of the live animal on foot?

Mr. SINCLAIR. At the present time and for a great many years this has not been the case. The value of the hides has been higher than the value of the live animals. Just at present the top price on live cattle for the choice kind is around 19 cents per pound and the value of the hide off this same animal is 29 cents. There is even a wider spread between the value of the hides and the cost of the live animals in the cheaper grades of cattle.

Mr. STEPHENS. I notice, or at least it is my impression, that the price of hides per pound is a great deal less than the price of beef—I mean live animals, and of course I can see no reason for that in view of the tremendously high price of leather, unless it is that the packers merely arbitrarily fix it to suit their own desire.

Mr. SINCLAIR. The price of hides is fixed now, and it has been for some time over a year.

Mr. STEPHENS. And there are just two things, Mr. Sinclair, involved in this bill—two principal things. One is the transfer of the yards and terminals and cars to the carriers, and the other is the licensing of the packers. Now, as I understand it you have no objections to the transferring of the yards and terminals to the carriers. You have no objection to that?

Mr. SINCLAIR. No.

Mr. STEPHENS. You see no reasons against it?

Mr. SINCLAIR. No.

Mr. STEPHENS. You really approve of it, then, or at least do you approve of it?

Mr. SINCLAIR. Well, I don't know that there is any necessity for it. So far as we have seen there is no necessity for it.

Mr. STEPHENS. Anyhow you see no objection to that feature of the bill?

Mr. SINCLAIR. No.

Mr. STEPHENS. Now, the only objection I noticed that you had to the transfer of the refrigerator cars was that you thought perhaps they would not be cared for well enough by the railroad companies; that they would neglect the scientific preparation of the car for the sanitary transportation of the meats.

Mr. SINCLAIR. That is not the only objection.

Mr. STEPHENS. And the other one was having some control over the supply?

Mr. SINCLAIR. Having a steady supply come in every day.

Mr. STEPHENS. Would that objection be answered by a superintendent of transportation, if these cars were transferred to the railroads? I mean refrigerator transportation. Do you not think that a traffic manager empowered to do this one thing, namely, take care of these refrigerator cars; to see that they are properly cleaned; to see that they are in shape; to see that you get your supply every day, whatever your needs are, and to see that those cars are returned to you, don't you think that that is a feasible and practical thing?

Mr. SINCLAIR. I think if he allotted us a certain number of cars that it is known and has been proved are necessary for our business, and largely kept the use of those cars for our business, we could get along.

Mr. STEPHENS. You think that there is really nothing in the argument that the railroad companies could not do this if they organized themselves for that specific purpose?

Mr. SINCLAIR. We think we can do it better than the railroads.

Kingan & Co., as packers, would have no objection to the railroads owning and operating the refrigerator cars if we felt that this delicate equipment could be kept up in proper repair and an adequate supply be provided of the different classes of cars from day to day for loading the products of a modern packer. The business is so specialized that we do not feel that this could be carried out under any other

arrangement than exists at present, which has been the natural solution of the problems as they arose in the development of the business.

Mr. STEPHENS. But still, with the appointment of a high-class traffic manager who is to handle the cars for all these different packing concerns, do you not think that he, giving his special attention to it, and taking a pride in it, and seeing that you got your cars every day, and got them in fine shape, do you not think he would equal your own supervision?

Mr. SINCLAIR. We do not; no.

Mr. PARKER of New Jersey. Mr. Sinclair, I don't understand exactly about some of these conditions complained of at these yards. Now, take Indianapolis, for example, how many cattle are in that yard?

Mr. SINCLAIR. A day?

Mr. PARKER of New Jersey. Well, at any one time.

Mr. SINCLAIR. I suppose there would be about one to three thousand cattle a day there.

Mr. PARKER of New Jersey. And how many hogs and sheep?

Mr. SINCLAIR. We will get at times—in the last year we have had as high as 20,000 or 30,000 hogs a day there.

Mr. PARKER of New Jersey. And there would be some sheep and calves?

Mr. SINCLAIR. A few; yes. That end of the business is small.

Mr. PARKER of New Jersey. Anybody can send them. It is open to the whole public to send cattle to a yard?

Mr. SINCLAIR. Yes. They send them to a commission man as a rule.

Mr. PARKER of New Jersey. They send them to a commission man. Does the commission man have his own pens in the yards, or can they be sent to a commission man and then are they given quarters in the yard?

Mr. SINCLAIR. I think the commission man can use any pens he likes. Possibly in the development of the thing, for convenience, a man has his own pens that he uses every day.

Mr. PARKER of New Jersey. But he has no monopoly of that?

Mr. SINCLAIR. I don't think so.

Mr. PARKER of New Jersey. The yard is open to every commission man?

Mr. SINCLAIR. It is.

Mr. PARKER of New Jersey. How many commission men have they there?

Mr. SINCLAIR. I suppose there are 15 or 20 firms, sir.

Mr. PARKER of New Jersey. That are using those yards for the producers?

Mr. SINCLAIR. They are.

Mr. PARKER of New Jersey. How does the yard get paid? What revenue does the yard get? Are there tolls?

Mr. SINCLAIR. I expect they get—I think they get yardage per head, so much for each animal.

Mr. PARKER of New Jersey. Per day?

Mr. SINCLAIR. Yes; well, each animal that goes through the yards, I think.

Mr. PARKER of New Jersey. How long will they keep them in the yards for sale?

Mr. SINCLAIR. Well, as a rule the owner wants to sell them the day they get there. If there is enough demand, as a rule that happens.

Mr. PARKER of New Jersey. Who pays the feed of the animals while they are there, and the care and all that?

Mr. SINCLAIR. The owner pays for the feed.

Mr. PARKER of New Jersey. Through the commission man?

Mr. SINCLAIR. Yes.

Mr. PARKER of New Jersey. The owner, therefore, is charged by the commission man for the yardage, as you call it, and for the cost of taking care of the animals while they are there, and his commission for selling?

Mr. SINCLAIR. Yes.

Mr. PARKER of New Jersey. Are those charges for yardage equal to everybody?

Mr. SINCLAIR. So far as we know they are.

Mr. PARKER of New Jersey. And I suppose custom makes the commission men in Indianapolis all charge the same amount for the care of animals, etc., and the same rate of commissions?

Mr. SINCLAIR. I think so. The rates of commission are fixed by the Live Stock Exchange, which is an association of all the commission men doing business at these yards, and their rates are in conformity with the rates prevailing in the other markets. The rates are:

COMMISSIONS EFFECTIVE MAY 7, 1917.

Cattle, \$12 to \$18 per car. Less than 30 head, 60 cents each. Additional charge of 5 cents per hundredweight over 25,000 pounds.

Hogs, \$10 single deck, \$15 double-deck. Less than 50 head, 20 cents per head.

Calves, 35 cents per head up to \$18 per single deck or \$21 for double-deck. Additional charge of 5 cents per hundredweight over 25,000 pounds.

Sheep, 20 cents per head, with maximum of \$10 for single deck and \$15 for double-deck.

No transaction to involve a charge of less than 50 cents for either selling or buying live stock.

Mr. PARKER of New Jersey. What is the rate of commission?

Mr. SINCLAIR. I could not tell you.

Mr. PARKER of New Jersey. You buy from commission men?

Mr. SINCLAIR. We do.

Mr. PARKER of New Jersey. You employ the commission man to sell for you, or do you employ buyers to go to the commission men?

Mr. SINCLAIR. We employ buyers. We have our own buyers who act on their own judgment in taking the stock that we want, and they buy from the commission men.

Mr. PARKER of New Jersey. And there is no commission paid to the commission men?

Mr. SINCLAIR. No.

Mr. PARKER of New Jersey. Do you have commission buyers or do you hire your own men?

Mr. SINCLAIR. They are our own men entirely, on salary.

Mr. PARKER of New Jersey. There are commission buyers in the market also?

Mr. SINCLAIR. Well, if we send an order to another market where we have not a buyer, a commission man fills our order and we pay his commission.

Mr. PARKER of New Jersey. What is that rate for buying when you send to another market?

Mr. SINCLAIR. The rate of commission we pay to an order buyer, or commission man, in outside stockyards where we do not employ our own buyer, is \$5 a car on hogs and \$10 to \$12 per car on cattle.

Mr. PARKER of New Jersey. And are these sales that are made, made by auction or simply by agreement between your buyer and the commission man?

Mr. SINCLAIR. Just by agreement between the buyer and the commission man.

Mr. PARKER of New Jersey. Just as a man buys stock cotton in a commission house or a factor's house?

Mr. SINCLAIR. Yes; I imagine so. I don't know how that is done.

Mr. PARKER of New Jersey. Depending somewhat on the quality and condition?

Mr. SINCLAIR. Very much so.

Mr. PARKER of New Jersey. As to the different animals, do the prices of beef differ very much between different animals?

Mr. SINCLAIR. There is a wide difference between the value of the different qualities.

Mr. PARKER of New Jersey. Do you buy by the pound?

Mr. SINCLAIR. We do.

Mr. PARKER of New Jersey. And you weigh your animals?

Mr. SINCLAIR. These are in reality weighed by the stockyards company, on their scales, and they are a neutral party between the buyer and the seller, which for the prevention of disputes is a very desirable practice.

Mr. PARKER of New Jersey. I don't know what you are paying now—what is the price on the hoof just at present?

Mr. SINCLAIR. I don't know what the price of choice cattle is. I devote most of my time to the hog end of the business.

Mr. PARKER of New Jersey. Then let us take the hogs. What is the price on the hoof for hogs?

Mr. SINCLAIR. Well, they are fixed at 17.5 cents by the Food Administration. We have got to average that.

Mr. PARKER of New Jersey. But, can you tell me whether the prices of beef differ as much as a quarter or 25 per cent between choice and poor animals?

Mr. SINCLAIR. Yes; they do. Choicest steers, tops, 19 cents per hundredweight, live; good to common steers, 15 cents per hundredweight, live; heifers, 10 cents per hundredweight, live; canners, 7 cents per hundredweight, live.

Mr. PARKER of New Jersey. More than that or about that?

Mr. SINCLAIR. I should say about that.

Mr. PARKER of New Jersey. There are yards in the East as well as in the West?

Mr. SINCLAIR. Yes.

Mr. PARKER of New Jersey. And shipments made of cattle from the far West are carried some time all of the way to eastern yards?

Mr. SINCLAIR. I would not be surprised; I don't know.

Mr. PARKER of New Jersey. Is there anything to prevent it?

Mr. SINCLAIR. Not that I know of, except that it is generally not profitable to ship animals. They lose weight for very long distances like that.

Mr. PARKER of New Jersey. It is more profitable to pack in the West and send the meat East than it would be to send the beef in to near New York, practically in the New York district, and kill there?

Mr. SINCLAIR. I would say so.

Mr. PARKER of New Jersey. You do kill at Richmond, Va.?

Mr. SINCLAIR. Yes.

Mr. PARKER of New Jersey. For what purpose; to ship abroad?

Mr. SINCLAIR. No; we dispose of that meat locally. We make Virginia hams in Richmond.

Mr. PARKER of New Jersey. And you ship hogs all the way from the far West to Richmond?

Mr. SINCLAIR. No; we only ship from Nashville and Louisville to Richmond. We never go farther west than that.

Mr. PARKER of New Jersey. And in long shipments you say the animals lose in weight?

Mr. SINCLAIR. They do, and there is danger of having "deads" in the cars—having an animal die.

Mr. PARKER of New Jersey. And how much loss in weight or loss in the stock would take place from Chicago to New York?

Mr. SINCLAIR. I suppose 2 or 3 per cent. The loss in weight in the animals is about 2 or 3 per cent, which, as I said, is a factor in the trade. However, the eastern killer has a considerable advantage over the western packer, because in selling his fresh meats he gets from 2 to 4 cents per pound more for his fresh pork and fresh sausage than the western packer can get on his goods, because the product of the animals killed in the East will keep longer and have a brighter, fresher appearance than if the fresh product is shipped from the West. This, in our opinion, fully offsets any disadvantage he may be at in an increased shrinkage in the live animals in transit.

Mr. PARKER of New Jersey. That is all?

Mr. SINCLAIR. Yes.

Mr. PARKER of New Jersey. That is enough to make a difference in the trade?

Mr. SINCLAIR. Very much so.

Mr. PARKER of New Jersey. But with a loss of 2 or 3 per cent the animals would be taken by an independent packer who had his packing establishment where he could dispose of his goods, say, in the city of New York, or any other large city, and he could bring his live stock there.

Mr. SINCLAIR. Yes; he could.

Mr. PARKER of New Jersey. With a loss of 2 or 3 per cent.

Mr. SINCLAIR. Yes.

Mr. PARKER of New Jersey. Are such packers in the East?

Mr. SINCLAIR. There are quite a few packers through the East.

Mr. PARKER of New Jersey. There are a few?

Mr. SINCLAIR. Quite a few.

Mr. PARKER of New Jersey. Who are they; large or small?

Mr. SINCLAIR. They are mostly small people. Philadelphia has two or three packers. Baltimore has two or three.

Mr. PARKER of New Jersey. What are their names?

Mr. SINCLAIR. In Philadelphia there is a man named Felin and D. B. Martin.

Mr. PARKER of New Jersey. Is there a packer in Brooklyn of a German name?

Mr. SINCLAIR. There is a man called Rohe at Brooklyn.

Mr. PARKER of New Jersey. How do they get their stock?

Mr. SINCLAIR. I think they buy—I know they buy hogs in the Indianapolis yards.

Mr. PARKER of New Jersey. They ship hogs from Indianapolis to Brooklyn?

Mr. SINCLAIR. They do.

Mr. PARKER of New Jersey. And are there firms in Boston?

Mr. SINCLAIR. Yes; there are firms in Boston.

Mr. PARKER of New Jersey. That do a packing business?

Mr. SINCLAIR. Yes; there is a large concern there, North & Squires.

Mr. PARKER of New Jersey. What do they buy—hogs or beef?

Mr. SINCLAIR. Hogs, mostly. They kill cattle there also.

Mr. PARKER of New Jersey. They buy cattle alive in the West and bring them to Boston and then pack them there?

Mr. SINCLAIR. They do.

Mr. PARKER of New Jersey. And they do that in competition with you western packers?

Mr. SINCLAIR. They do; yes, sir.

Mr. PARKER of New Jersey. And they are able to do it in spite of the loss in weight?

Mr. SINCLAIR. They are.

Mr. PARKER of New Jersey. Are there not some savings by sending—that is, in freight, etc.—are there not savings in sending the cattle in ordinary cattle cars instead of having to send the meat in these special meat cars?

Mr. SINCLAIR. Well, there is a difference in the freight rate, of course.

Mr. PARKER of New Jersey. How much difference is there in the freight rate?

Mr. SINCLAIR. I don't know what the live-stock rates are, but I do know this, that the question is up now as to making the relative difference between the weight on live-stock animals and the rate on the meat.

Mr. PARKER of New Jersey. Well, if you brought the meat, say, from Omaha, or brought the cattle or hogs from Omaha, would the live-stock rate be cheaper or dearer than the meat rate?

Mr. SINCLAIR. You mean on the price of the finished meat?

Mr. PARKER of New Jersey. On the shipment, yes; the freight rates.

Mr. SINCLAIR. The freight rate, I think, would be just about the same, so far as the actual freight is concerned.

Mr. PARKER of New Jersey. About the same cost for bringing the live animal as it would be for the meat?

Mr. SINCLAIR. No; the live animal rates are lower.

Mr. PARKER of New Jersey. How much lower? What proportion?

Mr. SINCLAIR. I could not tell you.

Mr. PARKER of New Jersey. A quarter? Twenty-five per cent?

Mr. SINCLAIR. In regard to the comparative cost of doing business in either of the above manners, in the matter of freight rates—to take an example—the rate on a double-deck of live hogs from Indianapolis to New York or Boston is 42½ cents per 100 pounds. The minimum carload weight is 22,000 pounds, which makes the cost on a minimum car \$93.50 for freight. The rate on live cattle is the

same, but the minimum carload weight is 21,000 pounds, making the cost on a minimum car \$89.25. As against that, the rate on bulk cured meats from Indianapolis to New York or Boston is 49 cents per 100 pounds. The minimum carload amount is 30,000 pounds, which makes the cost on a minimum car \$147. The rate on fresh meat from Indianapolis to New York or Boston is 64 cents per 100 pounds. The minimum weight per car is 21,000 pounds, which makes the cost on a minimum car, \$134.40. To get a comparison of the relative cost, estimating that a Western packer ships of his product east—50 per cent fresh and 50 per cent cured—the average cost per minimum car in freight from Indianapolis to New York or Boston would be \$140.70, as against the average cost per minimum car of hogs and cattle of \$91.38. The shipper of the live animals has in this respect the advantage of \$49.32 per minimum car. In other words, the freight cost of moving the product eastward is 54 per cent higher than the freight cost of moving the live animals. This is in part offset by the additional shrinkage, risk of dead animals, and cost of feeding in transit incurred by the shipper of live animals.

Mr. PARKER of New Jersey. Now, can you tell me as to the yards all over the country? Do you know whether their rates for yardage are about the same all over the country?

Mr. SINCLAIR. I couldn't say as to that.

Mr. PARKER of New Jersey. Each yard has the same yardage for anybody who sends his meat there? They are open to anybody?

Mr. SINCLAIR. I understand that is so.

Mr. PARKER of New Jersey. And each yard has its own commission merchants?

Mr. SINCLAIR. I understand so.

Mr. PARKER of New Jersey. But what the exact yardage is in each yard you don't know?

Mr. SINCLAIR. No.

Mr. PARKER of New Jersey. You don't know whether the packers' yards and the railroads' yards charge the same rates, or whether they charge different rates?

Mr. SINCLAIR. I don't know; no. I couldn't say.

Mr. PARKER of New Jersey. Are there any cities where there are railroad yards and packer yards?

Mr. SINCLAIR. I don't know of any.

Mr. PARKER of New Jersey. You don't know, of course, about the business down in the Pennsylvania yards at Philadelphia or New York?

Mr. SINCLAIR. No. We have paid no attention to stockyards. We have gone ahead and bought our animals wherever we wanted them, and the question of ownership of the yards has never entered our heads.

Mr. PARKER of New Jersey. And you found, as far as your experience has gone, that when you went to buy in any yards your buyers had no trouble, whether they were commission merchants or your own direct buyers, in going and negotiating for each particular animal, separately, without any regard to anybody else and without the price being influenced by anybody else?

Mr. SINCLAIR. That is true.

Mr. PARKER of New Jersey. And as to each particular animal the price had to be settled between your buyer and the commission merchant who has the animal in charge?

Mr. SINCLAIR. In cattle, that is the case.

Mr. PARKER of New Jersey. And with hogs, is it?

Mr. SINCLAIR. We bought by the load, as a rule.

Mr. PARKER of New Jersey. But you inspect the load?

Mr. SINCLAIR. Yes; we do.

Mr. PARKER of New Jersey. And some loads are better than others?

Mr. SINCLAIR. Yes.

Mr. PARKER of New Jersey. And you have had no difficulty in finding that the price was always settled between your buyers and the commission merchants who represented the owners, without any influence by anybody else, packer or otherwise?

Mr. SINCLAIR. We never have found any difficulty.

Mr. PARKER of New Jersey. That is all.

The CHAIRMAN. Mr. Hamilton wants to ask one or two questions.

Mr. HAMILTON. It will not take me but a moment. I forgot to ask you, Mr. Sinclair, whether your corporation has any packing houses in any other country than in the United States?

Mr. SINCLAIR. We have a packing house in Belfast, Ireland.

Mr. HAMILTON. Have you any in Argentina?

Mr. SINCLAIR. No.

Mr. HAMILTON. Then you have no packing house outside of the United States except at Belfast?

Mr. SINCLAIR. No.

Mr. HAMILTON. Do you export any considerable quantity of your meat products?

Mr. SINCLAIR. We do.

Mr. HAMILTON. I mean from the United States?

Mr. SINCLAIR. We do.

Mr. HAMILTON. Do you have a considerable market in Great Britain?

Mr. SINCLAIR. We have.

Mr. HAMILTON. In Great Britain at large. Now, particularly in what countries?

Mr. SINCLAIR. England, Scotland, and Ireland. All three countries.

Mr. HAMILTON. How do your prices there compare with the prices you receive here?

Mr. SINCLAIR. The Englishman is a very close buyer.

Mr. HAMILTON. And you sell less in England than you do here?

Mr. SINCLAIR. I wouldn't say so. The business, if it gets unprofitable—if the English business gets unprofitable—why we don't make meat for them.

Mr. HAMILTON. Certainly you don't sell without a profit.

Mr. SINCLAIR. We regulate the business in that way.

Mr. HAMILTON. I have an impression from what I have read that in normal conditions the prices of meat in England are lower than the prices here, is that true?

Mr. SINCLAIR. I wouldn't say so. If the price in England gets below the equivalent of what the meat can be sold for in the United States, they don't get the meat. It is not shipped to them.

Mr. HAMILTON. But they have other fields to draw from than the United States.

Mr. SINCLAIR. Yes; we are up against very severe competition in England.

Mr. HAMILTON. They draw from Australia, do they not?

Mr. SINCLAIR. And Denmark.

Mr. HAMILTON. I am very much mistaken then in the understanding I have had that the price to the English consumer is, on the whole, habitually lower than the price to the American consumer.

Mr. SANDERS. The price to the English jobber.

Mr. HAMILTON. Did you get Gov. Sanders' suggestion?

Mr. SINCLAIR. The English jobber; the wholesaler?

Mr. HAMILTON. Yes.

Mr. SINCLAIR. I know, as far as our experience is concerned, that is not the case. It is not the case with us. It would be poor business for us to be selling our meat in England for a less price than we could get for it in this country, and the price of meat and the animals is really a world price in times of peace, because it is established by the world demand. If the price in England is high, it will naturally attract the price in this country upwards to some degree, and vice versa; but when the prices in England are unprofitable we don't make English meats. We avoid them.

Mr. HAMILTON. Your answer is, unequivocally, then, that you don't sell meats lower in England than you do in the United States?

Mr. SINCLAIR. No; we do not; unequivocally no.

The CHAIRMAN. Right in that connection, Mr. Hamilton draws out something that I want to ask you about. In your packing house in Belfast, Ireland, do you pack Irish and English animals, or American animals?

Mr. SINCLAIR. Irish entirely.

The CHAIRMAN. Local purchases?

Mr. SINCLAIR. Local purchases; yes, sir.

Mr. DILLON. I want to ask two or three questions. I understand the drift of your testimony is that you think there is competition in this industry?

Mr. SINCLAIR. We do.

Mr. DILLON. Are you opposing this bill or are you supporting it?

Mr. SINCLAIR. We are opposed to it?

Mr. DILLON. Have you had any conferences with any of the packers, or their representatives, as to their coming here?

Mr. SINCLAIR. No. We got a copy of the bill and studied the thing out.

Mr. DILLON. Now, when you received a copy of the bill, with whom did you confer before coming here?

Mr. SINCLAIR. I talked to Mr. Foster, of Morrell & Co., as their interests are very—

Mr. DILLON (interposing). Is that a packer?

Mr. SINCLAIR. Yes; Morrells are another house very much like ours.

Mr. DILLON. Situated about as you are?

Mr. SINCLAIR. Yes; they are at Ottumwa, Iowa.

Mr. DILLON. After that conference you determined to oppose this bill?

Mr. SINCLAIR. Yes, sir.

Mr. DILLON. Did you confer with anybody else?

Mr. SINCLAIR. No.

Mr. DILLON. Did you agree with this other party you have just mentioned as to the expenditures that you would be put to to come here and give testimony?

Mr. SINCLAIR. No.

Mr. DILLON. There is no understanding between any institution and your own as to dividing the cost of coming here?

Mr. SINCLAIR. No.

Mr. DILLON. Have you ever had any conferences with the five packers or their representatives in the last year?

Mr. SINCLAIR. We have met them at the Food Administration hearings during the last year. There have been a great many of them.

Mr. DILLON. A great many conferences with them?

Mr. SINCLAIR. Yes; called by the Food Administration. There is one every month.

Mr. DILLON. Now, when those conferences were on, did you have any conversation with them as to your position?

Mr. SINCLAIR. No; except in the ordinary course of business conversation one naturally compares notes with another man to some degree.

Mr. DILLON. You compared notes, did you?

Mr. SINCLAIR. Well, we talked business conditions over.

Mr. DILLON. With yourselves?

Mr. SINCLAIR. Yes. If I know a man personally and we met just in the normal course of events, we would talk over conditions.

DILLON. Do you know anything about these conferences, whether they resulted in the suggestion of having leaders, somebody to lead in the enterprise?

Mr. SINCLAIR. You mean in opposing this bill?

Mr. DILLON. I mean when you were in conference with these packers, with their representatives, was there anything said about selecting a leader who should represent this industry?

Mr. SINCLAIR. No; I have never heard anything of that kind.

Mr. DILLON. You never heard anything of that kind?

Mr. SINCLAIR. No.

Mr. DILLON. Have you at any time ever had any knowledge as to a selection of some one of the packers to be a leader in any of these movements?

Mr. SINCLAIR. No. Mr. Wilson is chairman of the packers' executive committee, which was formed at the instigation of the Food Administration. That is all that I know of.

Mr. DILLON. You never talked with any of these people about prices that should be fixed for buying live stock?

Mr. SINCLAIR. We have done so under the Food Administration because they have a price committee. The Food Administration has a price committee at which the prices for export allotments were determined.

Mr. DILLON. Have you ever had any conversation with any of those people in reference to buying the live stock?

Mr. SINCLAIR. No.

Mr. DILLON. Nothing of that sort?

Mr. SINCLAIR. No.

Mr. DILLON. Do you think the law on this subject is sufficient now?

Mr. SINCLAIR. You mean the present system of control?

Mr. DILLON. The present system of law—that it brings about free play for competition and that there is no necessity for any legislation?

Mr. SINCLAIR. I am not clear as to whether you refer by “the law” to the Food Administration system of control, or do you mean—

Mr. DILLON. I mean generally.

Mr. SANDERS. He means conditions existing before the Food Administration.

Mr. DILLON. Put it before the taking over by the Food Commission?

Mr. SINCLAIR. We think there are free competitive conditions in both buying and selling of our products; yes.

Mr. DILLON. You don't think there ought to be any legislation at all?

Mr. SINCLAIR. No.

Mr. SANDERS. I want to get a few points as to the value of your plant.

I understand you to say that the value of your plant in Indianapolis and Richmond combined is worth from ten to twelve million dollars.

Mr. SINCLAIR. The value of our plants in the United States is \$4,772,125.43.

Mr. MONTAGUE. Those two places are all you have?

Mr. SINCLAIR. That includes all of our branches. We have 15 branch houses through which we are distributing products.

Mr. SANDERS. You mean to say that is the cash value?

Mr. SINCLAIR. Well, it is an appraised value in the year 1912, on the level of prices at that time, plus additions thereto since then. The plant to-day could not be built for that on the present level of prices.

Mr. SANDERS. Well, now, for my own information, are those the values that you take in making up your tax returns to the various States where your plants are located?

Mr. SINCLAIR. I think so. I am not familiar with the detail of how those tax returns are made up.

Mr. SANDERS. Your surplus is \$8,700,000, you say?

Mr. SINCLAIR. Yes.

Mr. SANDERS. And the capital paid in is three and a half million?

Mr. SINCLAIR. Yes.

Mr. SANDERS. Is that capital of three and a half million all actual dollars paid in, or has it been put that way by stock dividends, etc.?

Mr. SINCLAIR. It is all paid in with the exception of one small stock dividend, about 20 years ago.

Mr. SANDERS. How much?

Mr. SINCLAIR. The amount of which I don't know.

Mr. SANDERS. Then your surplus is practically, considering the stock dividend, practically twice as much as the capital in dollars paid in?

Mr. SINCLAIR. It is.

Mr. SANDERS. Now, when you paid your dividend last year of 10 per cent, what did you pay that on?

Mr. SINCLAIR. On the amount of the capital stock issued.

Mr. SANDERS. On \$3,500,000?

Mr. SINCLAIR. Well, part of that \$3,500,000 is preferred stock, which is at a fixed rate of interest, and part of it is common stock on which the 10 per cent was paid.

Mr. SANDERS. There was never anything paid for common stock, was there?

Mr. SINCLAIR. That 10 per cent was paid.

Mr. SANDERS. I say there was never anything in cash paid for the common stock, was there?

Mr. SINCLAIR. There was when the company was started.

Mr. SANDERS. Then it is "uncommon" stock. As a rule common stock has nothing behind it but wind and water.

Mr. SINCLAIR. Ours has.

Mr. WINSLOW. You want to remember he was incorporated in England rather than in Louisiana.

Mr. SANDERS. I don't know whether our English cousins are much behind the United States in that matter. (Laughter.)

I want to get your views upon it, because they are certainly thoroughly different from mine and the general consensus of opinion, and I want to get your absolute view. Do you mean now that you honestly believe that on the stockyards of America there is competition for cattle that is shipped there?

Mr. SINCLAIR. I do.

Mr. SANDERS. And do you believe there is honestly competition when packers here have bought cattle and made it into edible products? Do you mean there is any competition in the price to the consumer?

Mr. SINCLAIR. So far as we have any experience there is.

Mr. SANDERS. I wish I had your faith. Now, the other day a butcher came to me, in this town, who very much impressed me with his honesty and with his straightforwardness, and he begged me not to use his name, and when I asked him why, he said if I did he could not buy beef, pork, mutton, or any other products from a single, solitary one of you gentlemen whose branch houses are in this city—if I mentioned his name. Not wanting to ruin him, I won't mention his name—I won't say ruin him, but not wanting to run the chance of ruining him. Here is a condition that he said existed in this city, and particularly he mentioned your branch house.

Mr. SINCLAIR. Our branch house?

Mr. SANDERS. Your branch house in this city. He said that the price at which the retailer can buy his products is fixed each and every day in this city by the representatives of the men who own the packing houses and who have branch coolers in this city, and that that price is like unto the laws of the Medes and Persians. Now, why should that condition exist?

Mr. SINCLAIR. I don't think it does. So far as we are concerned, it does not.

Mr. SANDERS. You deny that condition, do you?

Mr. SINCLAIR. We do.

Mr. SANDERS. Now, why is it, then, that there is no competition so far as prices are concerned—and any member of the committee can ascertain that by going to any of these branch houses any morning—why is there no difference in the price of the commodity if there is no agreement as to the fixing of the price?

Mr. SINCLAIR. I think there is a difference. Our experience is that there is a difference.

Mr. SANDERS. Well, mine from inquiry instituted by myself around here convinces me, sir, that your information is wrong; that there is no difference. I mean if you go to buy 500 pounds of pork this morning of the butcher, you can go to any one of the coolers in this city, and the price is practically the same. That is what I mean. Now, if there is competition in selling, why is there no difference in the price?

Mr. SINCLAIR. Well, I never knew that there wasn't any difference in the price. Our people sell what we ship them here at the best price they can get.

Mr. SANDERS. Now, isn't it a matter of fact, Mr. Sinclair—you represent this other company—isn't it a well-known fact next to what is commonly known in the people's mind and my mind as the five big packers, you are the next in line, the next biggest, with the best name and all that thing? Now, is it not also a fact that your prices are universally a shade higher than the five big packers?

Mr. SINCLAIR. I think our prices are usually higher than theirs; yes, sir. But, as I said a minute ago, there is a reason for that.

Mr. SANDERS. Well, I understand that you claim that there is a reason, because your product, you claim, is a little bit better than the other fellow's product. That has always been the claim of your firm.

Mr. SINCLAIR. Yes; and I think it is justified, in that we find enough people who are willing to pay us the price.

Mr. SANDERS. Well, you know what Barnum said about the people; there is one born every minute. And I think that a certain line of advertising—and I am frank with you—a certain line of propaganda—by the use of it you will be able to convince a great number of the people that your bacon is a little better than anybody else's. At any rate, you will be able to convince enough people to make your business profitable. If that were not true; if my psychological statement were not true, there would be very little patent medicine sold in America. Is that not true? I hate to compare your product with patent medicine.

Mr. SINCLAIR. You speak of advertising. We have done very little advertising. We feel that if a man gets a taste of our goods that he will want more.

Mr. SANDERS. Why, I consider that your advertisement—and I have followed it, and I have been a victim of it, because I use your goods—I consider that your advertisement is the most adroit of any of the packers; that you get more for the dollar invested than any packer in America. I think you have the most adroit way of advertising your goods and drawing attention to this either real or apparent merit.

Now, in regard to the Washington situation here—we are interested in it because we have got to live in it. There was one day last week—I speak now from knowledge, not having looked into the coolers, but knowledge I have acquired by investigation—that there was not a single bit of mutton or lamb that could be bought by the butchers in this city from anyone. Why was that?

Mr. SINCLAIR. I could not say, unless the market had been very poor here and nobody had shipped any in. That is the only reason I could think of.

Mr. SANDERS. Not in this city. You would never undertake to say that the market was poor here for anything.

Mr. SINCLAIR. I understand that retail prices are pretty high.

Mr. SANDERS. I am speaking about the wholesale prices. They are right up, just as high as anywhere in the world. Why was it that upon this date last week no butcher in this town could buy the carcass of a sheep or a lamb?

Mr. SINCLAIR. I could not say as to that.

Mr. SANDERS. Then I will give an explanation. Next day sheep and lamb were advanced by all the coolers in this country. Do you think that would be an explanation of it?

Mr. SINCLAIR. I can not say that I think—I don't want to doubt what you say, but I can't think that it happened, because I don't see how it could happen.

Mr. SANDERS. There are a good many things that happen that possibly you are not aware of. A great many things happen in the live-stock industry that strike me to be perfectly apparent that you gentlemen seem to be unaware of, because you take, for instance, the selling of cattle—you know that a raiser of cattle and hogs can not ship to a single live-stock yard in America, don't you, or do you?

Mr. SINCLAIR. I don't see why you could not.

Mr. SANDERS. Because they can't. You know they have got to ship to a commission merchant, don't you?

Mr. SINCLAIR. Yes; I think that is the way the business is usually done.

Mr. SANDERS. No; it is not "usual." You know they can't get into that live-stock yard unless they can get in through a commission merchant, don't you, Mr. Sinclair?

Mr. SINCLAIR. This is the case where stockyards are operated. The commission man has grown up by custom and necessity to be a go-between between the owner of the animals and the buyer. This has been largely brought about by the difficulty which the packer has experienced in buying the animals from, and paying for them to, parties whom he did not know whether they owned the stock or not. The packer had no knowledge as to whether the seller really owned the stock or not, and whether he had a clear title, and cases arose where fraud was perpetrated. In actual practice the commission man guarantees the ownership of the stock to the packer, and such disputes with the possibilities of dishonesty are eliminated. Furthermore, the commission man fills a necessary want in the chain of operations, in caring for and handling the stock at the yards, which has to be done by somebody. The commission man also is in a position to give the owner of the live stock the advantage of all the competition that is in the market, including small local killers, eastern shippers, and the larger packers, which the owner would probably not be able to do, not knowing who all the various buyers were.

Mr. SANDERS. They can't go there and sell their own stock, can they?

Mr. SINCLAIR. Well, in the Indianapolis yards, for instance, there are a great many owners who bring their own stock in.

Mr. SANDERS. They may bring their stock there, but they have to sell them through a commission merchant. They may be there to see the deal, but they sell them through a commission merchant.

Mr. SINCLAIR. Generally they go to the speculator, as a matter of fact—the scalpers of the market.

Mr. SANDERS. As a matter of fact, those commission merchants get their right to do business in the yards from the stockyards company, don't they?

Mr. SINCLAIR. They do.

Mr. SANDERS. And the commission merchants sell stock at the price that the buyer is willing to give? Is that not a fact?

Mr. SINCLAIR. Yes.

Mr. SANDERS. And the buyer is the packer?

Mr. SINCLAIR. Yes.

Mr. SANDERS. Is that not a fact?

Mr. SINCLAIR. Yes.

Mr. SANDERS. Therefore, when we reach the final analysis—now, just to get down to cases, as the boys say, there is only one man I can sell my goods to, isn't there, the packer?

Mr. SINCLAIR. Yes.

Mr. SANDERS. He may seemingly be divided into Swifts and Armours and Morrisises, but as a matter of fact it is the packer I have got to sell to, when I get my stock in the yards, isn't it?

Mr. SINCLAIR. I think practical experience will show—it has shown us, I know—that a great part of the year the market for live stock is made by the eastern shipper rather than by the western packer, and I know we may not feel very kindly toward hogs for some reason or other, like you form your business judgment on the value of a commodity, and all the efforts we can possibly make won't get them down if the eastern shippers are active in the market. They are in great part the controlling—

Mr. SANDERS (interposing). Mr. Sinclair, it is like stating that the sun rises in the east, but still it is a fact that the packer, in the final analysis, is the buyer of the product.

Mr. SINCLAIR. Yes; whether he buys in the east or in the west.

Mr. SANDERS. He is the packer and he buys the product.

Mr. SINCLAIR. Yes.

Mr. SANDERS. Now, it having been proven that there is a percentage of the buying; in other words, the total day's buy having been divided between the five great packers in the leading markets on a percentage basis, is it unreasonable to presume that they casually, now and then, discuss the price they are going to pay for this product? As they have agreed on what they are going to buy, and on how much each can buy, is it unreasonable for us to presume that they might casually or incidentally discuss what they are going to pay?

Mr. SINCLAIR. I think you will find, as I said a moment ago, that the value of the live stock is very much the same to one man as to another, and a whole lot of the apparent—

Mr. SANDERS (interposing). And that being true, do they not agree on the prices they are going to pay?

Mr. SINCLAIR. I do not know as to that. I can not say, because I do not know.

Mr. SANDERS. You do not know?

Mr. SINCLAIR. I have no knowledge of that.

Mr. SANDERS. And you do not know that the price to the consumer is likewise practically agreed on in advance?

Mr. SINCLAIR. No; I do not. We make our own prices on our own goods according to the condition of the market.

Mr. SANDERS. As a matter of fact, following the market very closely, Mr. Sinclair, do you not know that your prices on your goods, taking the one item of bacon, for instance, no matter what the fluctuation may be, that your price to the dealer per day is a shade higher than the price of the other five men?

Mr. SINCLAIR. Yes; we claim it costs us more to make.

Mr. SANDERS. That is all right about the claim; what I am getting at is this, that while the price of bacon may fluctuate from day to day, your price during that fluctuation invariably stays a shade higher than the other fellow's, does it not?

Mr. SINCLAIR. It has not the same relation to the other man's price at all.

Mr. SANDERS. But it stays a shade higher.

Mr. SINCLAIR. It may and it may not.

Mr. SANDERS. As a matter of fact, outside of the "maybes," it does, does it not?

Mr. SINCLAIR. We may be lower. There are times when we are lower than the other fellow.

Mr. SANDERS. I would like to see those times. I would like to be shown a price list from day to day of your concern, where your bacon is not quoted a shade higher than the bacon of the five great packers.

Mr. SINCLAIR. I think I could show you one to-day; at least, I have not got it right here.

Mr. SANDERS. If you can show it, it would be only an exception to the general rule, would it not, because your bacon shades the other's all the time, as a matter of fact? What I am getting at is this: If that is true, if my statement is true—and I think the quotations will bear me out on it—do you blame me, for instance, for concluding from the logic of the situation that your prices must be agreed on with the other gentlemen? I am not saying that you, Sinclair, agree on them, because I do not know what your connection with your company is—whether you are the determining factor or not.

Mr. SINCLAIR. I am, so far as our prices are concerned.

Mr. SANDERS. Then if you are the determining factor I am irresistably led to believe that you must have some agreement with the other gentlemen who fix their prices.

Mr. SINCLAIR. I think if our price was always, say, 1 cent a pound above the other fellow there might be some ground for that; but I do not think the records will show that we are uniformly at the same differential.

Mr. SANDERS. No; not uniformly at the same differential, but always the differential is in favor of your product. Therefore, I am frank to say that the logic of the situation drives me irresistably to the conclusion that there must be some communication between you and the other gentlemen, otherwise you could not invariably fix your price at a shade higher than their price.

Mr. SINCLAIR. I think I can explain that. Take the case of bacon that you speak of.

Mr. SANDERS. Yes.

Mr. SINCLAIR. There is an open market on what are called "sweet-pickled bellies" in Chicago, which you can go and buy in carloads

from a broker. There are open quotations all the time on that class of meat, just like there are on S. P. hams, for instance. Now, that is the basis, as a rule, on what the selling prices are fixed. That is an open market. If it costs me $4\frac{1}{2}$ cents a pound to market and distribute those goods, and it costs the other fellow 4 cents a pound, according to his way of figuring—he may not smoke his bacon as hard as we do, and therefore it will not lose so much weight; there will, therefore, be a relative difference there, which will remain more or less the same without any collusion whatsoever.

Mr. SANDERS. You think, or it is your judgment then, that there is no collusion and no price fixing between the packers, either in the purchase of cattle or in the distribution of their product?

Mr. SINCLAIR. No; I do not.

Mr. SANDERS. You think it is open, free, fair, honorable, and above board doctrine of supply and demand?

Mr. SINCLAIR. So far as we are concerned that has been our experience.

Mr. SANDERS. And that is your judgment in regard to the other packers?

Mr. SINCLAIR. I think if we had not found it so we would not be where we are to-day.

Mr. SANDERS. Is the suspicion which is in the minds of a great many people that your concern has been permitted to exist as an independent packer, if such a thing is possible, which a great many people deny—is the suspicion that exists in the minds of a great many people that your long liberty is due to the fact that you have sold a shade higher than the other fellow?

Mr. SINCLAIR. I would not think that had anything to do with it.

Mr. SANDERS. Your business is a very, very small business in comparison with the others, is it not?

Mr. SINCLAIR. It is; very small.

Mr. SANDERS. And your product sells, if not all the time, we will say practically all the time, at a shade higher price than the other fellow's. Now, some people have suspected that the reason you are permitted to live is owing to those very facts. Have you ever entertained that suspicion?

Mr. SINCLAIR. We have no suspicions of that kind.

Mr. SANDERS. And you think you could live in competition with these five packers whether they so willed it or not?

Mr. SINCLAIR. We do.

Mr. SANDERS. You do?

Mr. SINCLAIR. Oh, yes; we do, absolutely.

Mr. SANDERS. I admire your faith in the matter, because I am firmly convinced that if they wanted to put you out of business they could do it.

Mr. SINCLAIR. I do not know, and we have no fear of it.

The CHAIRMAN. Mr. Winslow, do you wish to ask any questions?

Mr. WINSLOW. Not of the witness, but I would like to ask the governor what he thinks would happen to the other fellow if they went around putting every independent fellow out of business.

Mr. SANDERS. I do not know what would happen, but I know what has happened to them, and that is they have fattened and fattened upon it.

The CHAIRMAN. Mr. Sweet, have you any questions?

Mr. SWEET. Mr. Sinclair, you have stated that this company was organized originally in England?

Mr. SINCLAIR. Yes, sir.

Mr. SWEET. How many stockholders have you at the present time?

Mr. SINCLAIR. I could not say. I do not know the exact number, but quite a few.

Mr. SWEET. How many of your stockholders reside in this country?

Mr. SINCLAIR. I suppose about 25 per cent.

Mr. SWEET. And the other 75 per cent reside in Great Britain?

Mr. SINCLAIR. They do.

Mr. SWEET. You purchase about 30 per cent of the cattle and hogs in the Indianapolis market?

Mr. SINCLAIR. We do; about 40 per cent of the hogs.

Mr. SWEET. In the purchase of your supply there do you take into consideration at all the market price in Chicago?

Mr. SINCLAIR. We do.

Mr. SWEET. And how does the market price at Indianapolis and Chicago compare?

Mr. SINCLAIR. As a rule our top is just about the same as the Chicago top.

Mr. SWEET. Just about the same?

Mr. SINCLAIR. Yes.

Mr. SWEET. Now, the other packers who purchase stock there pay about the same price that you do?

Mr. SINCLAIR. They do.

Mr. SWEET. Is there any understanding or agreement with the other packers as to what you will pay?

Mr. SINCLAIR. None.

Mr. SWEET. And you say the price there, as you view it, is governed entirely by the law of supply and demand?

Mr. SINCLAIR. Absolutely.

Mr. SWEET. Have you any connection with the Sinclair Packing Co. at Cedar Rapids, Iowa?

Mr. SINCLAIR. No. They are relations of mine, but I have no connection with the company.

Mr. SWEET. In a financial way?

Mr. SINCLAIR. No.

Mr. SWEET. You referred to the fact that before coming here you had consulted with a packing concern at Ottuma, Iowa?

Mr. SINCLAIR. Yes.

Mr. SWEET. Is that an independent packing concern?

Mr. SINCLAIR. It is so called; just as we are.

Mr. SWEET. Is there any understanding, then, between the independent packing concerns outside of the five great packers in regard to this hearing?

Mr. SINCLAIR. Not that I know of. Mr. Foster—or Morrell Co.'s situation is very much the same as ours, and we thought it was well to talk the matter over.

Mr. SWEET. And you talked the matter over for the purpose of determining whether you would favor or oppose this legislation?

Mr. SINCLAIR. We had determined; in fact, we had made the appointment for this hearing before we talked to him at all.

Mr. SWEET. And your company is perfectly satisfied with the present conditions in regard to refrigerator cars?

Mr. SINCLAIR. We are.

Mr. SWEET. And in regard to the stockyards and railroad facilities in connection with the stockyards?

Mr. SINCLAIR. We are.

Mr. SWEET. And you feel at this time there is no necessity for any legislation in regard to refrigerator cars?

Mr. SINCLAIR. No.

Mr. SWEET. Or stockyards?

Mr. SINCLAIR. No.

Mr. SWEET. And the like?

Mr. SINCLAIR. No.

Mr. SWEET. I think that is all.

The CHAIRMAN. Mr. Stiness, have you any questions?

Mr. STINESS. Mr. Sinclair, I just want to ask you one question: Do you know of your own knowledge, or from reliable information, where any of these independent packers have been driven out of business or compelled to sell on account of unfair methods of the five great packers, so called?

Mr. SINCLAIR. I do not.

Mr. STINESS. Then, so far as you know and so far as you have heard, there is nothing in the actions of these five packers to stifle competition?

Mr. SINCLAIR. No.

Mr. STINESS. That is all.

The CHAIRMAN. Mr. Sinclair, we are very much obliged to you for your statement, and I know it will be of interest to the committee. Mr. Munce, do you wish to be heard?

Mr. MUNCE. No, sir.

The CHAIRMAN. Then there is no one else to be heard to-day, and we will adjourn until to-morrow.

(The committee thereupon, at 1.30 o'clock p. m., adjourned until Thursday, January 16, 1919, at 10.30 o'clock a. m.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,

HOUSE OF REPRESENTATIVES,

Thursday, January 16, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. E. BUCKINGHAM, VICE PRESIDENT AND GENERAL MANAGER OF THE UNION STOCK YARDS CO. OF OMAHA (LTD.), OMAHA, NEBR.

The CHAIRMAN. Mr. Buckingham, are you ready to be heard?

Mr. BUCKINGHAM. Yes, Mr. Chairman. I am Mr. Buckingham, of Omaha, vice president and general manager of the Union Stockyards there. I asked permission to appear before the committee on this bill, because it pertains to stockyards, public stockyards, one of which I am directly interested in.

The CHAIRMAN. You may proceed and make your statement in your own way.

Mr. BUCKINGHAM. I feel that the committee ought to be given all the information possible about the public stockyards. From the information I get, the stockyards are something there is about as little known about as any line of business. I have prepared a statement and, with your permission, I will read it.

The CHAIRMAN. Certainly; just proceed in your own way.

Mr. BUCKINGHAM. The actual workings of a large stockyards, where a live-stock market is maintained, is probably less understood than almost any other public utility. Many people believe that the stockyards company employ the commission men, and that it buys live stock for the packers, and that it has, in a general way, control over the prices paid for live-stock—such is not the case. The stockyards company simply provides the facilities and service for the accommodation of live stock from the time the railroads deliver the shipments at the market until they pass into the possession of the shipper, feeder buyer, or packer; in other words, it is simply the bridge over which live stock passes in going from the railroads to the final buyer, whether it is the local packers who buy for slaughter, or others who buy to take the stock back to the country for feeding purposes, or to ship to other markets or killing plants.

Live stock brought into the market by the railroads is, in some cases, set to the unloading chutes by the railroads themselves, but at some of the larger markets where the switching facilities are separate or owned by the stockyards company, the cars are set on the transfer tracks by the railroads, and after inspection, as required under the interstate commerce safety appliance act, they are switched to the unloading chutes for unloading. The work of unloading is performed by the stockyards company, who are paid for such service by the railroads. After the stock is set to the unloading chutes and before it can be unloaded, it is necessary for the Bureau of Animal Industry employees to check over all waybills before giving the stockyards company permission to unload the stock. Immediately after unloading the stock it is necessary to leave it in the unloading chutes until the Bureau of Animal Industry employees have personally inspected each load for scabies or other diseases, after which inspection the stock is delivered to the owner or his representative, and then the transportation ceases, unless it is a shipment simply unloading for rest, food, and water, in which case, after the length of time required by law, it is reloaded and delivered to the railroad that is to handle it on to destination; the railroad company paying for the switching in and out, and also for the unloading and loading. The feed is paid for by the owner either at the time of feeding or by being added to the billing as "back charges."

When the stock is for sale it goes to the pens assigned for sale purposes. The amount of feed ordered by the owner or his representative, the commission men, the stock is fed by the stockyards company and the commission men or their employees water the stock when, in their judgment, it is proper to do so. Each pen is provided with a water trough and water connection so that all that is necessary to do, on the part of the commission men, is to put the plug in the trough and turn on the water. The commission men

sort the stock, classifying it as may best suit the market requirements and to enable them to get the best prices. After the stock is sold the commission men drive it to the scales of the stockyards company, where it is carefully weighed by the stockyards company weighmaster, and, usually, a representative of the buyer and seller are present when the scales are balanced, to see that the proper weight is arrived at, but in every case a representative of the seller is present as it is imperative that he furnish the weighmaster, at the time the weight is made, the name of the seller and the purchaser, so that such information may be placed on the weight ticket at the time.

After weighing, the yard company employees yard the stock and lock it up, and finally deliver it to the purchaser upon demand, or, in the case of stock to be shipped out, drives it to the chutes for loading. Stock purchased by traders is delivered to them on demand, after weighing, and they or their employees drive it to that part of the yards assigned to them for holding stock for sale.

The stockyards company sells to the traders all necessary feed at the same prices charged all other parties. Frequently stock sold to traders is resold and shipped out the same day it is purchased by them, but, in a great many instances the stock is held a number of days before finally disposed of.

The stockyards company's revenue comes from:

First. Switching charges it collects from the railroad where it owns the switching facilities and performs the work of switching cars of stock to and from unloading chutes. Also the railroads pay stockyards company for unloading and loading stock.

Second. Its yardage charges, which are a stipulated amount per head on cattle, hogs, or sheep, this to cover the use of pens and service of weighing.

Third. Its earnings on the sale of feed.

The above comprises the duties of a stockyards company. They are in no way responsible for the prices of live stock nor do they in any way influence the prices.

Now, I want to make a statement in reply to those of the Federal Trade Commission where they refer to stockyards, as far as the same affects the Union Stock Yards Co. of Omaha (Ltd.), which is a modern public stockyard in every respect, covering about 200 acres of ground, including a switching terminal of 34 miles of track in and about the yards and packing houses, as well as other industries served by it. The physical value of the plant, based on prices prevailing in 1915-16, is approximately \$10,000,000.

In addition to \$700,000 worth of bonds, the outstanding stock of the company is 74,963 shares, of a par value of \$7,496,300, held by 796 shareholders—none of these are packing companies. Individual members of packing firms and members of their immediate families, 15 in all, hold a total of 20,604 shares, or 27 per cent of the total stock.

Mr. DOREMUS. Will you read that last sentence again, please?

Mr. BUCKINGHAM. Individual members of packing firms and members of their immediate families, 15 in all, hold a total of 20,604 shares, or 27 per cent of the total stock; that is, 15, counting the individual packers.

There is held by executors and trustees, also religious and educational interests, 54 in all, a total of 12,188 shares, or 16 per cent of

the total stock. Other shareholders, male, 309 in all, hold 23,235 shares, or 31 per cent of the total stock, and 418 female shareholders hold 18,936 shares, or 26 per cent of the total stock. These latter two items, you will note, together, make 42,171 shares, which is more than 50 per cent of the stock, and add to this the stock held by executors and trustees, and religious and educational bodies, 12,188 shares, is more than two-thirds of the stock, so that the statement that the packers have a controlling ownership is not correct, and that they have control of the yards is equally untrue. One packer, namely, J. Ogden Armour, and his immediate family own a large proportion of the total stock owned by packers' families, and he, naturally, takes a great interest in the welfare of the yards, because of the revenue resulting to him therefrom, which is no greater than to each of the other shareholders in proportion to the number of shares they own.

The following compilation brings out more clearly the extent to which the stock of the company is held, the number of shares in the various States—male and female shareholders being shown separately,—this latter in order to bring out clearly the investment feature of the stock; many women, as well as men, of moderate circumstances having purchased the stock from time to time as a safe investment which would bring them a reasonable regular return. It has become a practice among financial men in the vicinity of Omaha to advise women of small means to invest their savings in the Union Stock Yards Co. of Omaha stock as a conservative safe investment.

I have made a compilation here showing the male stockholders and female stockholders separated in each of the different States, and I think there are some 33 States where this stock is held, from one share to several thousand shares.

Mr. DOREMUS. Do you give the names of the stockholders?

Mr. BUCKINGHAM. This statement does not. It simply gives the number of shareholders in each State and the total number of shares held by them.

This statement does not include the holdings of the 15 individual members of packers' families, as set out above.

Majority of shareholders.

State.	Male.		Female.	
	Share-holders.	Shares.	Share-holders.	Shares.
Arkansas.....	1	10		
California.....	6	228	18	575
Connecticut.....	6	72	14	1,441
Colorado.....	5	177	2	50
District of Columbia.....	1	150	4	144
Idaho.....			2	100
Illiana.....	1	375	2	81
Iowa.....	7	246	17	550
Illinois.....	42	4,986	50	3,565
Kentucky.....	1	88	1	20
Massachusetts.....	22	2,550	24	890
Missouri.....	4	166	2	21
Michigan.....	2	78	1	65
Maryland.....	1	100	1	16
Maine.....	1	4	5	61
Minnesota.....			1	50
Montana.....	3	16		
Nebraska.....	161	10,813	180	5,045
New York.....	16	1,476	29	2,713
New Hampshire.....	1	363	1	19

Majority of shareholders—Continued.

State.	Male.		Female.	
	Share-holders.	Shares.	Share holders.	Shares.
New Jersey.....			2	63
Ohio.....	3	136	9	729
Oklahoma.....			2	34
Pennsylvania.....	10	781	17	1,393
Rhode Island.....	1	50	1	50
South Dakota.....			1	10
Texas.....	1	15	2	20
Virginia.....	7	67	8	289
Vermont.....	1	3		
Wisconsin.....	3	156	9	187
Washington.....			3	135
Wyoming.....	1	41	1	6
Abroad.....	1	88	9	614
Total.....	309	23,235	418	18,936

State.	Educational and religious.		Executors and trust.	
	Share-holders.	Shares.	Share-holders.	Shares.
California.....			1	10
Connecticut.....			2	126
Colorado.....			1	11
Iowa.....	1	57		
Illinois.....	1	187	11	5,879
Massachusetts.....	1	170	8	2,144
Missouri.....	1	250		
Nebraska.....	5	1,831	13	573
New York.....			6	904
South Dakota.....	1	26		
Virginia.....			1	20
Total.....	11	2,521	43	9,667

Total of majority stockholders.....	54,359
Individual packers and their families.....	20,604
Grand total.....	74,963

The above facts, we feel sure, will convince the committee that the statement of ownership control of the Omaha Stock Yards by the packing companies is not true. Therefore the entire charge of packer control is untrue as far as the Omaha market is concerned, because the only control anyone can have of the Omaha yards is through the action of the majority of the shareholders.

The statement of receipts of live stock for the year ending December 31, 1918, below (which, incidentally, shows the wide scope of country served by the Omaha yards), also the statement of disposition of stock, shows the extent of the buying for the packers at Omaha—both large and small—and that considerable live stock is purchased at Omaha for shipment to other packing points. The latter statement will also show a large amount of partly-fat and feeder cattle purchased at Omaha for feeding purposes. A great many of the partly-fat cattle are purchased in direct competition with the packers, to be taken to the country for finishing purposes, before coming to the market again.

I have here a statement of the receipts for the year 1918 showing the origin of the cattle by States. The total receipts for the year were, of cattle, 1,993,366; hogs, 3,429,533; and sheep, 3,385,696; and they came from some 20 States, nearly all of them west or northwest of Omaha.

Then I show the disposition of that same stock, and we show there was sold to the packers in Omaha 1,286,634 head of cattle, and there were forwarded, first hand—that is, offered on the market but not sold—19,545 head of cattle. There was forwarded, not sold, simply stopping to feed in transit, 35,700 head; there was sold to foreign packers and order buyers 95,932 head of cattle; and there were sold to traders and feeders 555,555, which makes the total receipts for the year of cattle.

In the case of hogs, there were sold to the packers 2,744,000—I will just use round numbers, if you please—and there was forwarded, first hand, offered but not sold, 12,000 head; there was forwarded, not sold, simply fed in transit, 53,000; and there was sold to traders and feeders 617,000, a total of 3,429,000.

Then, in the case of sheep there was sold to the packers 1,709,000; there was forwarded, first hand, offered for sale, but not sold, 72,000; forwarded, not sold, simply fed in transit, 29,000; and there was sold to foreign packers and order buyers 8,000; and there was sold to traders and feeders 1,565,000, which makes the total receipts 3,385,000.

Receipts for the year 1918.

Origin.	Cattle.	Hogs.	Sheep.
Arizona.....	4,097	.....	7,485
Colorado.....	48,826	1,179	179,303
California.....	6,080	108	67,587
Illinois.....	.....	125	1,396
Iowa.....	364,462	699,269	185,480
Indian Territory.....	278	105	.....
Idaho.....	31,266	3,979	768,708
Kansas.....	20,507	999	6,558
Minnesota.....	5,563	36,663	10,589
Montana.....	22,941	1,186	52,114
Missouri.....	21,762	2,692	4,057
Nebraska.....	1,150,635	2,525,324	874,492
New Mexico.....	5,469	.....	6,076
Nevada.....	4,071	.....	102,607
North Dakota.....	504	887	2,692
Oregon.....	9,209	.....	120,907
South Dakota.....	105,204	153,110	96,885
Texas.....	10,184	820	.....
Utah.....	4,907	439	169,332
Wyoming.....	178,563	2,506	728,955
Washington.....	651	.....	475
Wisconsin.....	137	.....	.....
Oklahoma.....	50	142	.....
Total.....	1,993,366	3,429,533	3,385,696

Disposition of stock, year 1918.

	Cattle.	Hogs.	Sheep.
Sold to packers.....	1,286,634	2,744,916	1,709,084
Forwarded (first hand), offered, but not sold.....	19,545	12,886	72,370
Forwarded, not sold, simply fed in transit.....	35,700	53,833	29,908
Sold to foreign packers and order buyers.....	95,932	617,898	8,282
Sold to traders and feeders.....	555,555	.....	1,565,552
Total disposition.....	1,993,366	3,429,533	3,385,696

In addition to Armour & Co., the Cudahy Packing Co., Morris & Co., and Swift & Co., there are located at Omaha, eight smaller packing companies, namely: South Omaha Packing Co.; Hoffman Bros.; Mid-West Packing Co.; Roth Packing Co.; Mayerowich & Vail; Patrick O'Dea; Higgins Packing Co.; M. Glassburg; all buying more or less live stock on the Omaha market, in competition with the larger packers, and the fact that all of them, except the Mid-West Packing Co. (which has just started) have been in operation for a number of years, is the best evidence that they are not being interfered with by the stockyards company. In addition, the Lincoln Packing Co., of Lincoln, Nebr.; Sinclair & Co., of Cedar Rapids, Iowa; Morrell & Co., of Ottumwa, Iowa; and Wilson & Co., of Chicago and Kansas City, maintain buyers at Omaha, and purchase in considerable numbers from time to time.

In this connection, J. W. Murphy and Schwartz & Son purchased 716,333 head of hogs at Omaha in 1918, in competition with the packers, largely for shipment to packing companies at other points.

In reply to the statement that the larger packers, through their stockyards influence, prevent the smaller or independent packers from locating or doing business at the alleged "controlled" markets, desire to say that at Omaha, in the case of Hoffman Bros., whose packing plant was built about seven years ago, their building is located on land sold to them by the stockyards company. This also applies to the Mid-West Packing Co., whose plant was completed and put in operation later in 1918. In the case of the O'Dea Packing Co., part of the land used by their plant is owned by the stockyards company and leased to O'Dea, at a nominal figure. In the case of Mayerowich & Vail: Their present location was traded to them by the stockyards company, for their old, obsolete plant, part of which ground is now occupied by the new modern horse sales barn. Enough money consideration went along with this deal to enable Mayerowich & Vail to build their present modern plant. The Higgins Packing Co., also had an old plant located where part of the new horse barn now is, for which they were given a good price enabling them to put up their modern plant adjacent to—across the street—the stockyards. The Higgins Packing Co. is now building a large addition, with the intention of doing business on a much larger scale. The Skinner Packing Co., recently purchased a tract of land in the stockyards district, and are putting up a plant of considerable proportions, and will spend altogether probably \$2,000,000 before the plant is completed. They have an understanding with the stockyards company by which the latter will furnish a considerable portion of the driveway from the stockyards to their plant. Further will state that there are several locations directly adjacent to the stockyards that can be secured at a reasonable figure for packing-house purposes.

The management of the stockyards, together with representatives of the Omaha Live Stock Exchange have been endeavoring to get Wilson & Co. to locate at Omaha, but on account of war conditions, as well as attacks from various sources on the large packers—of which Wilson & Co. is one—nothing has been accomplished. They do, however, keep a cattle buyer at the Omaha market.

With reference to packers controlling live-stock newspapers at packing centers: As far as Omaha is concerned, this is not the case.

The Drovers Journal-Stockman, which is the only live-stock paper here, is owned and controlled by the Neff estate, and not one dollar of the stock is owned by a packing company or a packer. The paper is supported, largely, by the commission men doing business at the Omaha market, who pay a fixed amount per copy for each paper mailed to shippers, for which they furnish a list. Were it not for this support the paper would soon go out of existence. It is safe to say, therefore, that its policy really is controlled by the commission men.

As to the Live Stock Exchange buildings: The one at Omaha is owned and controlled by the Stock Yards Co., who rent space therein to the commission men, to traders, and to packers for office room, as required. Applications for space are taken care of in their turn, the oldest application receiving first consideration.

In the case of pens the same rule prevails, except that in the hog division no assignment whatever is made.

Now, gentlemen, I want to call attention to the testimony of Mr. Gustafson, the other day, speaking of the Farmers' Union, I believe it is called. He stated they asked for an office in Omaha and were unable to secure one. His statement was hardly fair to the stock-yards company, in that it did not go far enough. They came to us and asked for offices and for the assignment of cattle pens. I told them that as far as the office was concerned we did not at that time have one single vacant room in the building, and that was true, and that we had two or three people on the list, applicants for rooms, ahead of them, who must be served in their turn. I finally offered them a small building, near the Exchange Building and very close to the hog division, where they expected to do the most of their work. They thought, however, this was too small and went across the viaduct and hired an office. The understanding I had with them was that just as soon as there was a vacancy in the building they would be given a location.

When the railroads were taken over by the Government a consolidation of the railroad agencies at South Omaha was made. That released some 10 or 12 rooms on the third floor. The first people I sent word to were the Farmers' Union, advising them that I was then able to give them offices. They immediately came over, and took, I think, four rooms, and they are located there now.

When they commenced business, or at the time they asked for office rooms, they also asked for an assignment of cattle pens. They said their business would be very light, and if they had four or five pens assigned to them that would answer their purposes, and I gave them a temporary assignment of pens, advising them, at the same time, that just as soon as we could arrange it I would give them a permanent assignment, and as their business increased more pens.

Since then they have been given a regular assignment of pens and are just as well fixed in that respect as any commission firm doing business at South Omaha. I have made this rather lengthy statement because Mr. Gustafson left the inference they had not been taken care of properly. We treated them, and have, and will continue to treat them just exactly the same as we do any other commission firm doing business at the yards.

Regarding terminal and switching facilities: When the stock-yards were first built the railroad companies themselves performed

the switching at the stockyards and the packing houses. Later on, as the number of packing houses and business increased, and more railroads built connections to the yards, the railroad companies requested the stockyards company to take over the switching service, which was done, and the yard company built the necessary tracks, purchased switch engines, and equipped itself to properly handle the business. It must be understood that live stock and most of the packing-house products are perishable, and practically all of the switching, therefore, at a stockyard terminal must be expedited, and of necessity the expense is greater.

It is only by prompt handling that the business of large packing centers, like Omaha, can be kept going. Each day's work in the unloading and disposing of live stock, must be cleaned up because, as a rule, there will be just as much live stock to handle on the day following. The switching terminal is really the servant of the railroads because it performs the switching service for them—for which they pay—and which, otherwise, they would have to perform themselves. As far as the packers and other industries are concerned, it is a matter of indifference to them whether the actual work is performed by the railroad companies, or by the stockyards company for the railroad companies. I might add, the compensation for this work is less than that usually charged by the railroads themselves for similar service.

The stockyards companies do control yardage service, but at Omaha do not control its yardage charges. These are regulated by the State railway commission. I might say there has been no change in any of its yardage charges for at least 25 years. In the case of feed, the charges vary from time to time to conform with cost of same, but the net results, per ton or per bushel, are no greater now than in former years. It should be understood in the case of the feed, that it is really a retail or peddling proposition; hay or grain being fed in small amounts in the different pens according to the orders of the commission men. Frequently in the case of hogs the same shipment will be fed two or three different times before being sold.

I noticed in the testimony the other day that Mr. Colver stated that the sale of hay in South Omaha was on the basis of something like \$70 per ton. I want to thank him for the compliment, but that is not true. Our prices for hay in the years he spoke of—1914 and 1915—were \$20 per ton to everybody alike, whether a shipper, commission man, speculator, feeder or packer. We were paying for hay at that time, I think, about \$12 per ton. It costs us altogether from \$2.50 to \$3 per ton to handle it. In the figures that Mr. Colver had were simply the actual expense for handling the hay, the labor and the teams, and the overhead expense, insurance and many other costs that were properly chargeable to the hay had not been included. It is a well understood fact that the stockyard companies are expected to make \$5 or \$6 a ton on their hay. Fifteen or twenty years ago the Kansas Legislature, radical as they were supposed to be at that time, in fixing the charges at stockyards for hay, provided that in no case could it be more than double the market price; in other words, if hay costs \$20 a ton, under that law it was proper, or it was permissible, to charge \$40 a ton, if the stockyards company so desired.

I simply make that statement to explain the seemingly rather large profit on hay.

Mr. STEPHENS. Would you explain what the basis is for the discrepancy between the \$70 rate that Mr. Colver mentions and the \$20 rate that you mention?

Mr. BUCKINGHAM. Simply a mistake in mental arithmetic.

Mr. STEPHENS. There certainly ought to be some figures on that.

Mr. BUCKINGHAM. I think in his statement, in dividing it offhand, instead of saying \$7 a ton, possibly he said \$70 a ton.

Mr. HAMILTON. I think, Mr. Chairman, in his corrected statement, he changed that.

Mr. BUCKINGHAM. I did not see the correction. It is like a good many bad stories that go out, the corrections never catch up with them.

Mr. HAMILTON. My recollection is he made the price \$17.

Mr. BUCKINGHAM. \$70 was the statement I saw in the minutes.

Mr. HAMILTON. Somebody probably misunderstood him.

Mr. BUCKINGHAM. Of course, I was not present. I could only take the bare statement as it read. I simply wanted to have that corrected for the benefit of the record.

The CHAIRMAN. My recollection is like Mr. Hamilton's, that he said \$17.

Mr. BUCKINGHAM. Yes.

At Omaha, the stockyards company does furnish and control the weighing facilities—I am rather answering the statements of the Federal Trade Commission as they are stated—it being the independent party, and not interested in either the buying or selling, and it seems proper that it should control these facilities.

By the way, I would like to go back to that question of feed. In considering the matter of feed, hay, and corn there should be taken into consideration also the supply of water that goes with it, which is a very heavy item of expense and for which there is no charge made. That goes along with the feed; and then there is the very heavy item of keeping the yards clean. We have at Omaha from 15 to 18 two-horse teams, with some 35 or 40 men cleaning the yards all the time. In addition to that, during the fall and spring clean-ups, by reason of the winter break-up in the spring and the very heavy movement of cattle in the fall, we have to go so far as to get the city fire engines and use those to help wash out the yards in order to keep them reasonably clean.

The CHAIRMAN. Do you not get some return from the fertilizer products?

Mr. BUCKINGHAM. I only wish we could. We are just simply wasting millions of tons of the best fertilizer because our Nebraska and Iowa farmers have not yet gotten educated to it or else their land does not require it. I do not know which. We can not sell a pound of it. We have offered to put it on the wagons where men haul in hogs for sale. We have offered to put it on the wagons so that they could haul it back to their farms, but they will not take it.

The CHAIRMAN. You can not get a foreign market or a market beyond your immediate locality for it?

Mr. BUCKINGHAM. No; I wish we could. I have got one manure dump which I have got to clean up this spring in order to put cattle pens on that location, and it will cost \$45,000 to have it cleaned up

and graded. It is an enormous pile of manure, the accumulation of 15 or 20 years, probably, and it is 25 or 30 or 40 feet deep in the center, and it is going to be a very expensive job to move it. I am willing to give it away if somebody will come and take it.

Mr. PARKER of New Jersey. Is there no modern method of drying out the manure so that it can be shipped in large quantities?

Mr. BUCKINGHAM. I really think we are too far west. The freight rate makes it, I believe, prohibitive. If anybody wants to go into the manure business, we have a good supply there.

Mr. PARKER of New Jersey. You did not answer my question. Is there any scientific process of drying out that manure?

Mr. BUCKINGHAM. Oh, yes; they dry it out in these cylinder arrangements. You can dry it out.

Mr. PARKER of New Jersey. And ship it dry?

Mr. BUCKINGHAM. And prepare it for shipment; yes. In the case of sheep manure, which is considered very valuable, we do ship a limited amount, but it is very limited.

Mr. PARKER of New Jersey. Does that go to the tanners? Sheep manure does not go to the tanners, does it?

Mr. BUCKINGHAM. No; this sheep manure will go into the southern country.

Mr. PARKER of New Jersey. They use dog manure in tanning, I know.

Mr. BUCKINGHAM. I do not know. This has never gone to any tannery.

When live stock is being weighed, as a rule, a representative of both the buyer and seller is at the scale to see that the scales balance properly and the correct weight arrived at. Further, each and every one of the scales is equipped with a type-registering beam, and when the scales balance the weighmaster pulls a lever and the weight is registered (typewritten) on the scale card, which is in triplicate, one copy going to the buyer, one to the seller, and the third copy retained by the Stock Yards Co. for its record. The scales are inspected periodically by the State inspector, also city inspectors, and, in addition, the Stock Yards Co. employs the Fairbanks, Morse, & Co. to inspect and repair its scales at regular intervals. Every reasonable precaution is therefore taken to give both the seller and the buyer the correct weight of stock.

The Omaha yards have no interest in the disposition of dead animals—that is one of the statements of the Federal Trade Commission, that the stockyards companies were making a revenue.

The Omaha yards have no interest in the disposition of dead animals, this being handled entirely between the commission men and the party who receives such animals. In the case of dead hogs, the stockyards company weighs them before they are taken away and issues a ticket for the weight without compensation—no yardage charge being made for such service.

These dead animals are dragged out of the cars onto the platform and the rendering company's man comes along and takes them away; and in the case of the hogs the Stockyards Co. weighs them first and gives the commission company a record of the weight, but we are not interested in any way in the disposition of the animals, except that we want them off our premises as quickly as possible; and we have no contract with anybody in connection with the matter.

As to access to records, etc. Formerly it was the practice to permit commission men, packing-house representatives, railroad-company employees, and others to have access to the record books at the chute house covering both inbound and outbound live stock, but several years ago, on receipt of advice from a representative of the legal department of the Government that it was not proper to permit this, the practice was discontinued. Since then the information put out at the yard office is done in such a way as not to furnish any more information than is actually necessary for the handling of stock in and about the yards. One claims attorney took objection to this action on the part of the Stockyards Co. and made complaint to the railway commission; the latter, after hearing the evidence, sustained the action of the Stockyards Co.

Mr. STEPHENS. That was our friends, Ralston and Lexington.

In conclusion, desire to say that we have endeavored to place before the committee such figures and facts as will make them conversant with the South Omaha market and also make them realize that the statement of the Federal Trade Commission, as far as they apply to that market, are, in the main, incorrect. The fact that it is the second largest cattle market in the United States is the best evidence, we think, of the fairness and good treatment to its patrons.

In other words, they would not come to us if we did not treat them fairly well, because we are in pretty strong competition with other markets.

It is an "open" market in every respect. There are no restrictions, as far as the Stockyards Co. is concerned, or who shall buy or sell, except that it requires absolute honesty and fair treatment on the part of those doing business on its premises.

With reference to regulation and supervision: The company's switching terminal is under the jurisdiction of the Interstate Commerce Commission and it can not make any changes in rates on interstate switching except on authority from the commission, and all of its equipment and service must conform to Interstate Commerce Commission requirements, including its safety appliance act. On intrastate business the switching charges and services are under the Nebraska State Railway Commission, and in the stockyards proper no changes can be made in the yardage charges or feed charges without the authority of said commission. The company is under the jurisdiction of the Food Administration and also the Bureau of Animal Industry, as well as the Bureau of Markets; the latter two being divisions of the United States Agricultural Department. The Bureau of Animal Industry has about 25 inspectors located at the market regularly and there are frequent inspections made by traveling inspectors of that department. The Bureau of Markets has offices in the Exchange Building where several representatives are located for the purpose of distributing market information to the public and investigating complaints that may be made by patrons of the market. There are also located at the market, for the general good of the patrons, eight brand inspectors and one city meat inspector, a representative of the State Sanitary Board, one War Department Sanitary Inspector; frequent inspections are made by the city weight inspector, the State weight inspector, City Health Commission, and humane officers. There are 60 commission firms, having offices in the Exchange Building and about the same number of yard traders; all

of whom, by reason of competition and close proximity, both by reason of office locations and pen locations, watch each other very closely, as well as watch the Stock Yards Co. The railroad representatives also keep a very careful supervision, and the packers, both large and small, scrutinize the operations of each other and of the Stock Yards Co., so that even if it were so disposed, the Yard company could not do other than treat all alike. Its sole purpose is to provide facilities and service and it is adding to its facilities every year, as its business increases, in order that it may be able to give good service, feeling that by doing so, it will best serve the interests of the many shippers, who are, and have been, for many years, sending their live stock to the Omaha market.

I have endeavored to give you, as clearly as possible, the workings and conditions surrounding a public live-stock market like the one at Omaha, believing that such information will enable you to come to a better understanding of such legislation as may be needed, if any, and will be glad to furnish in detail any further information regarding the Omaha property that may be desired.

Mr. SANDERS. I would like to know if you could furnish us a list of your stockholders.

Mr. BUCKINGHAM. By the way, I was going to give you that.

Mr. SANDERS. I do not mean the 15 that you spoke of, but a complete list of your stockholders.

Mr. BUCKINGHAM. Here is a list of the 15 and here is a complete list of all the stockholders. [Indicating].

UNION STOCK YARDS COMPANY OF OMAHA (LTD.).

Statement showing stock owned by individual members of packing firms and their immediate families.

Armour, J. Ogden-----	5,617
Armour, J. Ogden and S. B. Chapin, surviving trustees-----	35
Armour, Kirkland B., J. Ogden Armour, and S. B. Chapin, trustees-----	251
Armour, Philip D-----	3,248
Armour, Lester-----	3,235
Armour, Lolita Ogden-----	1,579
Armour, Lolita Sheldon-----	2,000
Chapin, S. B. & Co-----	2,500
Cudahy, Edward A-----	31
Cudahy, Joseph M., trustee-----	4
Cudahy, Miss Mary T-----	10
May, Alice Chapin-----	169
Swift, L. F-----	736
Swift, Edward F-----	1,020
Silverthorne, William E., J. Ogden Armour, and S. B. Chapin, executors-----	169
Total-----	20,604

O. K.

J. C. SHARP, *Secretary*.

UNION STOCK YARDS CO. OF OMAHA (LTD.).

Statement showing name of stockholders, addresses, and number of shares of capital stock held by each in the Union Stock Yards Co. of Omaha (Ltd.), as of Nov. 30, 1918.

Armour, J. Ogden, 208 South La Salle Street, Chicago, Ill-----	5,617
Armour, J. Ogden, president Armour's Mission, 208 South La Salle Street, Chicago, Ill-----	2,125
Armour, J. Ogden, and S. B. Chapin, surviving trustees, 208 South La Salle Street, Chicago, Ill-----	35

Armour, Kirkland B., J. Ogden Armour, and S. B. Chapin, trustees, 208 South La Salle Street, Chicago, Ill.....	251
Armour, Philip D., 208 South La Salle Street, Chicago, Ill.....	3, 248
Armour, Lester, 208 South La Salle Street, Chicago, Ill.....	3, 235
Armour, Lolita Ogden, 208 South La Salle Street, Chicago, Ill.....	1, 579
Armour, Lolita Sheldon, 208 South La Salle Street, Chicago, Ill.....	2, 000
Abramson, Charlotte, 1208 Waveland Avenue, Chicago, Ill.....	20
Allerton, Robert H., 757 First National Bank Building, Chicago, Ill.....	2, 181
Allerton, Robert H., 757 First National Bank Building, Chicago, Ill.....	20
Allerton, Robert, and K. A. Johnstone, 757 First National Bank Building, Chicago, Ill.....	10
Allerton, S. W., and R. H. Allerton, 757 First National Bank Building, Chicago, Ill.....	107
Allerton, Agnes C., 757 First National Bank Building, Chicago, Ill.....	399
Allerton, Miss Loise J., Wayne County; Newark, N. Y.....	350
Allerton, Sarah, Wayne County; Newark, N. Y.....	26
Allerton, Ida M., Stanton Avenue, Pittsburgh, Pa.....	117
Agassiz, George R., checks to Lee Higginson & Co., 44 State Street, Boston, Mass.....	317
Agassiz, Max, checks to Lee Higginson & Co., 44 State Street, Boston, Mass.....	286
Agassiz, Rodolphe L., checks to Lee Higginson & Co., 44 State Street, Boston, Mass.....	336
Adams, Amos F., 37 North Market Street, Boston, Mass.....	147
Adams, Martha Stone, care of Mrs. Fred J. Adams, 3722 Pacific Street, Omaha, Nebr.....	10
Ashby, James H., United States Yards, Chicago, Ill.....	191
Ashby, James H., and Rhoderick P. Hollett, trustees, 10 South La Salle Street, Chicago, Ill.....	785
Allen, Fred J., care of Charles B. Allen, Wadsworth, Ohio.....	10
Allen, Miss Bessie G., 3527 Harney Street, Omaha, Nebr.....	25
Allen, Mrs. Alice C., 2109 California Street, Omaha, Nebr.....	35
Anderson, Anna, 4121 North Nineteenth Street, Omaha, Nebr.....	10
Arlington State Bank, Arlington, Nebr.....	50
Aron, Laura K., 629 South Fountain Avenue, Springfield, Ohio.....	2
American Board of Commissioners for Foreign Missions, F. H. Wiggin, treasurer, 14 Beacon Street, Boston, Mass.....	52
Barker, Elizabeth A., 1505 South Eighth Street, Omaha, Nebr.....	2
Brown, C., care of A. Forman, 1602 South Thirty-second Avenue, Omaha, Nebr.....	50
Black, Elizabeth H., and Charles H. Marley, trustees, Omaha National Bank Building, Omaha, Nebr.....	100
Burns, S., Omaha National Bank Building, Omaha, Nebr.....	2
Burns, Brinker & Co., Omaha National Bank Building, Omaha, Nebr.....	124
Barkalow, Louise Peck, 401 South Fortieth Street, Omaha, Nebr.....	3
Bridges, Wilson O., 418 Brandies Theater Building, Omaha, Nebr.....	70
Bugger, Mathew, United States National Bank, Omaha, Nebr.....	50
Brooke, Genevieve H., care of United States National Bank, Omaha, Nebr.....	1
Burbeck, William G., 1010 Massachusetts Avenue, Station "A," Boston, Mass.....	50
Burbeck, Miss Elizabeth G., 1100 Beacon Street, Collidge Corner, Brookline, Mass.....	50
Barlow, Milton, Omaha, Nebr.....	10
Brown, Hubert L., Norwich, N. Y.....	6
Buffett, F. D., 1058 Park Avenue, Omaha, Nebr.....	25
Blackburn, T. W., 732 State Bank Building, Omaha, Nebr.....	5
Brown, Norris, 650 Omaha National Bank Building, Omaha, Nebr.....	10
Bourke, Mary F., checks Merchants' National Bank, account M. F. B., 120 North Thirty-second Avenue, Omaha, Nebr.....	52
Beeson, A. G., 736 World-Herald Building, Omaha, Nebr.....	35
Brooks, William S., checks United States National Bank, account W. S. B., Omaha, Nebr.....	50
Burgess, Lewis H., care of M. E. Smith & Co., Omaha, Nebr.....	1
Byrne, J. J., room 22, Patterson Building, Omaha, Nebr.....	42
Balcombe, Cora, care of Charles Battelle, 1312 South Thirty-third Street, Omaha, Nebr.....	15

Bishop, Anna S., 401 South Fortieth Street, Omaha, Nebr	113
Baldwin, C. W., mail to Lucy A	17
Baldwin, Lucy A., 4821 Farnam Street, Omaha, Nebr	3
Baxter, Irving F., 650 Omaha National Bank Building, Omaha, Nebr	25
Buck, Earl K., 535 Paxton Block, Omaha, Nebr	10
Brogan, Francis A., First National Bank Building, Omaha, Nebr	10
Boyd, Anna H., 1908 Davenport Street, Omaha, Nebr	54
Bocke, Mary, 3023 South Thirty-second Avenue, Omaha, Nebr	45
Blum, William, R. F. D., South Side, Omaha, Nebr	15
Beck, Walter H., 119 McGowen Avenue, Houston, Tex	15
Buckingham, E., South Omaha, Nebr	11
Breinig, R. S., South Omaha, Nebr	10
Beal, Henry J., jr., 3913 South Twenty-fourth Street, South Omaha, Nebr	1
Bock, Florence, 4313 South Twenty-sixth Street, South Omaha, Nebr	5
Bostwick, H. C., Stockyards National Bank, South Omaha, Nebr	100
Bostwick, Louise C., 747 South Madison Avenue, Pasadena, Cal	20
Browning, Elizabeth B., and Nelle K. Browning, trustee, care of McCalloch & McCalloch, 112 Adams Street, Chicago, Ill	1
Botsford, Henry, 160 West Jackson Boulevard, room 920, Chicago, Ill	250
Boyd, Mrs. Abbie F., 5342 Harper Avenue, Chicago, Ill	45
Bell, Emma M., 5021 Woodlawn Avenue, Chicago, Ill	15
Bavinger, William F., care of Cox-Jones-Van Alstine Co., South Omaha, Nebr	25
Belt, W. B. T., care of Nebraska Telephone Co., Omaha, Nebr	25
Bell, Miss Lillian E., Ashland, Nebr	68
Baverle, Miss Katherine, care of Cottage Hospital, Griswold, Iowa	5
Birkhimer, Alice, Lenox Apartment, 1330 South Union Street, Los Angeles, Cal	100
Barlow, Marthana, 1202 North Institute Street, Colorado Springs, Colo	20
Bosler, Martha J., Carlisle, Pa	221
Bosler, J. Kirk, Carlisle, Pa	30
Biddle, Gertrude E., Carlisle, Pa	30
Bosche, Amelia W., 2461 Glenwood Avenue, Toledo, Ohio	21
Bosche, Addie C., 2461 Glenwood Avenue, Toledo, Ohio	16
Babcock, Rushton & Co., 137 South La Salle Street, Chicago, Ill	25
Blake, Mrs. Eva W., care of Mrs. A. G. Blake, 800 South Bates Street, Terre Haute, Ind	31
Berger, Rebecca B., 5516 Fifth Avenue, Pittsburgh, Pa	117
Brale, Elsie G., and George H. Batchelor, trustees, mail G. H. Batchelor, New Bedford, Mass	16
Block, Tillie K., Hotel Alms, East Walnut Hill, Cincinnati, Ohio	2
Bennett, Mrs. Mary C., 32 Williams Street, Norwich, Conn	16
Badgette, Lizzie W., Cook County, Moorcroft, Wyo	6
Buthorn, Helen, mail Helen B. Bassett, 605 Grand Avenue, Waukesha, Wis	40
Broomer, Catharine B., Newark, N. Y	62
Boocock, Miriam D., Albemarle County, Keswick, Va	60
Butts, William W., 710 Mainwright Building, St. Louis, Mo	40
Braibant, Edna A., care of Franklin Trust Co., Franklin, Pa	200
Burriss, Jessie B., 3408 Holmes Street, Kansas City, Mo	1
Beachler, Samuel E., Scribner, Nebr	10
Buchanan, Marie, 1343 Eighth Street, Santa Monica, Cal	3
Brennan, Mary, care of Mrs. Patrick Byrnes, route No. 2, Essex, Iowa	14
Blackwood, Agnes Elizabeth, Woolworth Co., Lake Geneva, Wis	1
Blackwood, Maggie C., The Folly, Lake Geneva, Wis	33
Bowlin, Katherine G., Harlan, Iowa	4
Bowlin, F. M., Harlan, Iowa	66
Bon, Mme. Evelyn, checks J. P. Morgan & Co., P. O. box 3036, New York, N. Y	89
Beck, Eva M., 119 McGowen Avenue, Houston, Tex	10
Brown, Carroll S., care of First National Bank, Chicago, Ill	50
Cotter, Mary, 3030 Cass Street, Omaha, Nebr	17
Coffin, Viola, Omaha, Nebr	20
Conant, Mrs. M. H., 2014 Farnam Street, Omaha, Nebr	20
Cannon, Mrs. Ellen E., 2206 Spencer Street, Omaha, Nebr	36
Cowin, John C., Wars Block, Omaha, Nebr	350
Creighton, John D., Omaha, Nebr	5

Colpetzer, Bertha S., 402 South Thirty-eighth Street, Omaha, Nebr-----	1
Chapman, Marion E. D., Penn Yan, N. Y-----	20
Conner, Fred N., 433 Brandeis Building, Omaha, Nebr-----	4
Cummings, Ella L., care of United States National Bank, Omaha, Nebr--	90
Challman, John E., Station D, R. F. D. No. 2, Omaha, Nebr-----	6
Carpenter, Alanson B., 205 Ramge Building, Omaha, Nebr-----	3
Caldwell, Jabin B., make checks to United States Trust Co., care of Omaha, Nebr-----	1
Caldwell, S. S., 211 South Nineteenth Street, Omaha, Nebr-----	1
Caldwell, S. S., trustee, 211 South Nineteenth Street, Omaha, Nebr-----	5
Cox, C. H., 101 South Twenty-ninth Street, Omaha, Nebr-----	3
Cox, K. Gylmer, 101 South Twenty-ninth Street, Omaha, Nebr-----	10
Central Trust Co. of Illinois, as trustee, under twelfth paragraph of the will of Geo. H. Webster, deceased, 125 West Monroe Street, Chi- cago, Ill-----	200
Cox, Louise B. (Mrs.), care of H. Cox, 46 King Street west, Toronto, Ontario-----	20
Campbell, Bessie H., 1406 East Fifty-sixth Street, Chicago, Ill-----	40
Chapman, Ned. H., Washington Heights, 9945 Beverly Avenue, Chicago, Ill-----	60
Chapin, S. B. & Co., 217 La Salle Street, Chicago, Ill-----	2500
Chapin, Elizabeth M., 930 Fifth Avenue, New York, N. Y-----	15
Conway, Margarite, 757 First National Bank Building, Chicago, Ill-----	13
Cronin, Hannah, 6542, Ellis Avenue, care of J. P. Casay, Chicago, Ill-----	5
Crennan, Ruth E., 4724 Ellis Avenue, care of Marie A. Walch, Chicago, Ill-----	1
Cook, Raymond C., checks U. S. Nat'l Bank of Omaha, account of R. C. C., 140 Dearborn Street, Chicago, Ill-----	70
Chicago Title & Trust Co., trustees, 100 Washington Street, Chicago, Ill-----	6
Cudahy, Edw. A., Harris Trust Building, Chicago, Ill-----	31
Cudahy, Joseph M., trustee, Harris Trust Building, Chicago, Ill-----	4
Cudahy, Miss Mary T., 923 Conway Building, Chicago, Ill-----	10
Cozzens, Samuel, U. S. yards stables, Chicago, Ill-----	62
Clark, Louis B., care of Hibernian Banking Assn., Chicago, Ill-----	100
Clarks, Pamilla A., 1317 Ritchie Place, Chicago, Ill-----	59
Clarks, Pamilla Agnes, 1317 Ritchie Place, Chicago, Ill-----	18
Clark, Ellen B., 4526 South Twenty-second Street, Omaha, Nebr-----	3
Clark, Arthur B., Milford, Conn-----	10
Clark, Everett B., estate, Milford, Conn-----	26
Clark, Walter E., Milford, Conn-----	37
Chapin, Marietta P., 925 Park Avenue, New York, N. Y-----	47
Carlton, Josephine W., 195 Broadway, care of Newcomb Carlton, New York, N. Y-----	70
Cushing, Harry A., checks Columbia Trust Co., account H. A. C., 43 Cedar Street, New York, N. Y-----	130
Crain, Emily W., 233 South Belmont Avenue, Springfield, Ohio-----	10
Cornue, Elisha P., care of Pittsburgh U. S. Yard, Pittsburgh, Pa-----	5
Cox, Mrs. Sarah L., Broken Bow Nebr-----	8
Cotton, Wm. A., Nebraska City, Nebr-----	100
Croxon, Fred T., 106 Bellefontaine Street, Pasadena, Cal-----	31
Case, Myra W., 44 Annawan Street, Hartford, Conn-----	15
Chapman, Clara Bosche, 2461 Glenwood Avenue, Toledo, Ohio-----	12
Chamberlain, Jean B., 323 North Front Street, Harrisburg, Pa-----	30
Chamberlain, Lilabel T., 128 Crescent Drive, Glencoe, Ill-----	2
Creager, Joe E., jr., Scranton, Iowa-----	6
Crue, E. E., Tilden, Nebr-----	9
Crue, Margaret, Tilden, Nebr-----	14
Crue, Charlotte, Tilden, Nebr-----	14
Coomes, Carrie M., Wood River, Nebr-----	80
Coad, Ellen M., care of Packers National Bank, South Omaha, Nebr-----	75
Coons, J. W., Culpeper, Va-----	21
Cutler, M. H., Modale, Iowa-----	10
Curtis & Sanger, 33 Congress Street, Boston, Mass-----	329
Cotting, Chas. E., and Francis Shaw, trustees, P. O. Box 1155, Boston, Mass-----	105
Cooper, Rose A., 2606 North Street, South Omaha, Nebr-----	20

Davis, Leonard A., 4520 South Twenty-second Street, South Omaha, Nebr.	139
De Caux, Alfred, care of Omaha Horse & Mule Co., South Omaha, Nebr.	35
Davis, James A., 2512 Marsy Street, Omaha, Nebr.	5
Davis, Ellen M., checks to Southern Trust & Commerce Bank, administrator E. M. D., San Diego, Cal.	10
Deuel, Blanche, 2212 Douglas Street, Omaha, Nebr.	5
Deuel, Chas. L., care of Happy Hollow, 5204 California Street, Omaha, Nebr.	25
Dee, Catherine, care of Maloney & Kennedy, 1503 City National Bank, Omaha, Nebr.	5
Dewey, Mrs. Sarah J., 411 North Forty-ninth Street, Omaha, Nebr.	5
Dale, John F., post-office box 1037, Omaha, Nebr.	25
Douglas, Anna, Apt. 3, Ekard Apt., 617 South Thirty-first Street, Omaha, Nebr.	13
Douglas, Julia, Apt. 3, Ekard Apt., 617 South Thirty-first Street, Omaha, Nebr.	12
De Young, Richard, 2512 South Thirty-eighth Street, Omaha, Nebr.	17
Dallas, W. F., 1320 Farnam Street, Omaha, Nebr.	18
Davenport, Ethel, The Colonial, Thirty-eighth and Farnam Streets, Omaha, Nebr.	3
Dahmke, John, 602 South Fifty-second Street, Omaha, Nebr.	17
Dickey, Emresa J., Wahiawa, Oahu, Hawaii.	71
Dempster, Robert, 3527 Harney Street, Omaha, Nebr.	115
Day, Geo. A., 1310 South Thirty-fourth Street, Omaha, Nebr.	50
Deright, Orpha S., care of Byron Reed Co., 212 South Seventeenth Street, Omaha, Nebr.	14
Doyle, Joseph P., Anna V. or the Survivor, care of United States Yards Co., Omaha, Nebr.	20
Dunn, Mary J., 2322 F Street, South Omaha, Nebr.	10
Dunbar, Mrs. Belle L., Post Office Inquiry Department, Chicago, Ill.	29
Daniel, Clara H., 6203 Ingleside Avenue, Chicago, Ill.	9
Dunham, R. J., 208 South La Salle Street, Chicago, Ill.	10
Dupuis, Mrs. Emma A., 4596 Oakenwold Avenue, Chicago, Ill.	10
Duff, Mary F., mail to E. A. Duff, care of Duff Grain Co., Nebraska City, Nebr.	35
Duff, Phil. S., mail to E. A. Duff, care of Duff Grain Co., Nebraska City, Nebr.	53
Duff, Edwin A., mail to E. A. Duff, care of Duff Grain Co., Nebraska City, Nebr.	52
Day, Curtis L., Pender, Nebr.	5
David, Mrs. N. V., 1827 B Street, Lincoln, Nebr.	70
Durell, Mrs. Mary J., Ashland, Nebr.	4
Dailey, Emma C. L., 3804 McClellan Street, Seattle, Wash.	120
Downey, Elizabeth M., care of Mrs. J. J. Brooks, Shields Post Office, Pa.	10
Dreyfus, Mrs. Rosie, 251 West Eighty-ninth Street, Apartment 2 D, New York, N. Y.	8
Danforth, Joseph W., 17 Battery Place, New York, N. Y.	9
Ducas, Benj. P., 33-35-37 South Williams Street, New York, N. Y.	54
Dike, Jeannie S., 194 Columbia Heights, Brooklyn, N. Y.	70
Dike, Norman S., 194 Columbia Heights, Brooklyn, N. Y.	43
Drury, College, G. W. Nonemacher, secretary, Springfield, Mo.	250
Dickinson, Albert H., 924 Baltimore Avenue, Kansas City, Mo.	62
Drueck, Mrs. Emma, 5133 South Minerva Avenue, St. Louis, Mo.	20
Dustin, Worthy, Lanesville, Mass.	13
Dawson, Jessie Barlow, 116 South Ninth Street, Muskogee, Okla.	29
Danforth, Miss Ella, 720 Prospect Avenue, Hartford, Conn.	18
Dolliver, Margaret E., Fort Dodge, Iowa.	10
Dolliver, Frances P., Fort Dodge, Iowa.	10
Dehant, Anna, checks State Bank of Omaha, account A. D., Imogene, Iowa.	35
Donahue, Florence M., care of H. R. Gillette, Barrington, Ill.	61
Essex, Institute of Salem, Mass., W. O. Chapman, secretary, box H, Salem, Mass.	113
Ebersole, Sarah O., Memorial Hospital, Worcester, Mass.	15
Egan, Bessie, care of Mrs. L. L. Snyder, Dalton, S. Dak.	10
Ellis, Mrs. Mary Hayes, 119 Homer Street, Elmira, N. Y.	12
Everett, Miss Cornelia Pa., 4858 Hillsdale Drive, Los Angeles, Cal.	4

Estes, Dorothy P., 196 Bates Street, Lewiston, Me.	8
Erdman, Albert, 2816 North Sixty-eighth Street, Benson, Nebr.	42
Evans, Miss Ethel, care of Corn Exchange Bank, Bridge Plaza, Long Island City, N. Y.	15
Engstrand, Gertie A., 3925 Dewey Avenue, Omaha, Nebr.	1
Eichler, Alwine, care of Columbus Sanitarium, Madison Street and Boren Avenue, Seattle, Wash.	12
Edholm, Albert, 323 South Sixteenth Street, Omaha, Nebr.	20
Foster, J. D., care of Foster-Barker Co., Omaha, Nebr.	71
Foster, Mrs. J. D., care of Foster-Barker Co., Omaha, Nebr.	5
Fitzgerald, Edith V., 5014 Chicago Street, Omaha, Nebr.	15
Fitzgerald, Edith V., guardian, 5014 Chicago Street, Omaha, Nebr.	15
Fitzgerald, Katie, 314 North Seventeenth Street, Omaha, Nebr.	14
Forman, A., 1602 South Thirty-second Avenue, Omaha, Nebr.	400
Ferguson, Sarah A., 5024 California Street, Omaha, Nebr.	15
Funkhouser, Caroline L., 401 South Fortieth Street, Omaha, Nebr.	100
Funkhouser, Elsie L., 401 South Fortieth Street, Omaha, Nebr.	4
Frank, Henry L., 1014 Fort Dearborn Building, Chicago, Ill.	38
Frank, Max, 105 West Monroe Street, room 1014, Chicago, Ill.	73
Frank, Hannah, trustee, care of S. L. Sulsberger, Peoria and Van Buren Streets, Chicago, Ill.	837
Frank, Morton E., 4516 Drexel Boulevard, Chicago, Ill.	2
First Trust & Savings Bank, trustees Kate A. Johnstone, Chicago, Ill.	1, 000
First Trust & Savings Bank, trustees Geo. W. Sheldon Chicago, Ill.	31
First Trust & Savings Bank, trustees Mary I. White, Chicago, Ill.	146
Fosyth, Elizabeth D., 4328 Lake Avenue, Chicago, Ill.	100
Foster, Agnes W., 5715 Kenmore Avenue, Chicago, Ill.	22
Faurot, Henry, 4115-4133 Ogden Avenue, Chicago, Ill.	11
Frank, Helen E., care of Union Trust Co., Fifth Avenue and Sixtieth Street, New York, N. Y.	35
Fisk, Frances A., 6 East Maple Avenue, Newark, N. Y.	17
Frank, H. A., attorney, 504 State Savings Bank Building, Butte, Mont.	6
Flint, James M., Stoneleigh Court, Washington, D. C.	150
Fogg, S. F., Porter Co., Valparaiso, Ind.	375
Folsom, C. N., Ashland, Nebr.	30
Fritscher, Henry W., 2409 N Street, South Omaha, Nebr.	5
French, Isabelle H., checks to J. C. French, Stock Yards National Bank, South Omaha, Nebr.	15
Faurot, Catherine, Cook Co., Riverside, Ill.	60
Fletcher, Mrs. Mary M., address to Mrs. Etna J. Fletcher, 41 Salem Street, Andover, Mass.	13
Fray, Emma R., Culpeper, Va.	133
Fellows, Desire M., 1003 West Sixth Street, Riverside, Cal.	36
Foster, Frank D., general delivery, Palo Alto, Cal.	14
Fenno, Pauline S. F., C. Welch checks to estate Quincy R. Shaw, Boston, Mass.	1, 553
Gustafson, Carrie, 1102 South Eleventh Street, Omaha, Nebr.	5
Groh, A. Robert, 2051 North Twentieth Street, Omaha, Nebr.	15
George, Idella H., 5218 Chicago Street, Omaha, Nebr.	4
Gilbert, Cornelia R., 2611 Bristol Street, Omaha, Nebr.	3
Goetz, Harry, checks, Frank Goetz, account H. G., 2966 Harris Street, Omaha, Nebr.	11
Goetz, Laura, checks, Frank Goetz, account H. G., 2966 Harris Street, Omaha, Nebr.	22
Goetz, Jessie, checks, Frank Goetz, account H. G., 2966 Harris Street, Omaha, Nebr.	11
Gaebler, Johanna C., R. F. D. route 4, South Omaha, Nebr.	12
Gaebler, William S., R. F. D. route 4, South Omaha, Nebr.	10
Gaebler, Fred W., care of W. S. Gaebler, Fifty-fourth and Q Streets, route 4, South Omaha, Nebr.	15
Grieves, Mrs. Ada M., 4004½ South Twenty-fourth Street, South Omaha, Nebr.	5
Gallagher, Susan, 6240 Champlain Avenue, Chicago, Ill.	2
Gollop, Thomas, 757 First National Bank Building, Chicago, Ill.	50
Gorham, Edward W., 39 Myrtle Avenue, Newark, N. J.	3
Gorham, Fred S., 7 State Street, Westport, Conn.	3
Gorham, Andrew L., 548 Westchester Avenue, Port Chester, N. Y.	5

Gardiner, Charles H., Clinton, Md.	100
Greene, Berenthia T., 776 Prospect Avenue, Winnetta, Ill.	11
Greene, Miss Lelia S., Amenia, Dutchess County, N. Y.	102
Graves, Mrs. Mary M., 486 North Forest Avenue, River Forest, Ill.	97
Graves, Henry Erastus, Lyndonville, Vt.	3
Grant, Miss Emma L., 2401 Pleasant Avenue, Minneapolis, Minn.	50
Greig, Thomas, 904 Laurel Avenue, Austin, Ill.	17
Galland, Lillian L., 30 Doty Street, Fón du Lac, Wis.	30
Gilbert, Mrs. Susan H., 51 Broad Street, Norwich, Conn.	15
Gledhill, T. E., Fort Crook, Nebr.	25
Gledhill, Anna E., Fort Crook, Nebr.	10
Gjerde, L. M., 2130 Gaylord Street, Denver, Colo.	10
Guthrie, W. S., 1106 West Platinum Street, Butte, Mont.	5
Griffith, Francis W., 186 Gates Avenue, Brooklyn, N. Y.	7
Ganung, E. E., Livonia, N. Y.	4
Gibson, Hannah, 2320 North Fifty-sixth Street, Benson, Nebr.	11
Gilmurray, Katheryn, address to Mrs. Katheryn G. Moran, Codrington, Ontario, Canada	13
Henske, Kathryne M., 4027 La Fayette Avenue, Omaha, Nebr.	15
Houck, Leah, 2502 Emmet Street, Omaha, Nebr.	13
Hamilton, Mary M., care of R. P. Hamilton, jr., Citizens' National Building, Omaha, Nebr.	5
Holland, James E., 411 North Twenty-fifth Street, Omaha, Nebr.	32
Hensman, Mrs. Laura E., 5909 Florence Boulevard, Omaha, Nebr.	5
Hamilton, Mary Mable, 5100 Florence Boulevard, Omaha, Nebr.	2
Hooker, Lizzie, checks, First National Bank of Omaha, account L. H., New Hamilton, Twenty-fourth and Farnam Streets, Omaha, Nebr.	71
Halpenny, Anna, 2608 Dodge Street, Omaha, Nebr.	19
Hamilton, C. W., Merchants' National Bank, Omaha, Nebr.	5
Hungerford, Kate, No. 5, The Maryland, Omaha, Nebr.	10
Holz, Jacob, checks, Mertic A. Holz, guardian, care of First Trust Co., Omaha, Nebr.	35
Hibbard, Miss Helen C., care of Colomial Hotel, Omaha, Nebr.	36
Hudson, Nannie R., 428 South Thirty-eighth Street, Omaha, Nebr.	4
Hahn, Lillian M., care of T. W. Blackburn, 730 Keeline Building, Omaha, Nebr.	6
Howe, John D., care of Peters Trust Co., Omaha National Bank, Omaha, Nebr.	5
Howard, Caroline B., 3624 Farnam Street, Omaha, Nebr.	2
Hogan, John M., 716 South Fifteenth Street, Omaha, Nebr.	20
Horan, Miss Catheryn, 2224 Burt Street, Omaha, Nebr.	5
Hoyt, Samuel N., 627 City National Bank Building, Omaha, Nebr.	10
Hood, Leo H., Fort Crook, Nebr.	10
Hirsch, Isaac, care of American Cutlery Co., 764 Mathew Street, Chicago, Ill.	200
Harrison, Jas. W., 6737 Kimbark Avenue, Chicago, Ill.	18
Hinde, Mrs. Elizabeth M., 1524 Astor Street, Chicago, Ill.	6
Holling, John, Millard, Nebr.	35
Hotchkiss, Julia S., 4 Arch Street, Norwalk, Conn.	100
Hotchkiss, Esther S., 13 West Eighty-seventh Street, New York, N. Y.	225
Hornblower & Weeks, 60 Congress Street, Boston, Mass.	400
Hunting, Edw. A., 44 Broomfield Street, Boston, Mass.	50
Hunting, Miss Anna H., 44 Broomfield Street, Boston, Mass.	10
Harris, Howard S., 15 Congress Street, Boston, Mass.	26
Harris, Mary B., care of H. S. Harris, 15 Congress Street, Boston, Mass.	26
Harris, Philip W., care of H. S. Harris, 15 Congress Street, Boston, Mass.	26
Harris, Geo. M., 42 Washington Street, Peabody, Mass.	100
Holtorf, Mrs. Julia A., 609 Fourth Avenue, Cedar Rapids, Iowa	130
Howe, Roberts C., care of Armour & Co., South Omaha, Nebr.	10
Hirte, Henry, 4721 South Twenty-fifth Street, South Omaha, Nebr.	60
Hamann, Marx, Elkhorn, Nebr.	80
Howard, Edith L., 1368 Commonwealth Avenue, Allston, Mass.	31
Hyde, Fred J., address to Julia O. Hyde, executrix, Massena, N. Y.	49
Hosmer, Geo. S., 51 Eliot Street, Detroit, Mich.	50
Hayes, Edmond, box 54, Imogene, Iowa	124
Henderson, F. Florence, 3035 Leeward Avenue, Los Angeles, Cal.	2
Hoyer, Herman, Missouri Valley, Iowa	1

Harlan, Ella Shriver, Merion Station, Pa	94
Heyn, Gertrude H., 4 Arch Street, Norwalk, Conn	5
Haller, Helen Howes, Blair, Nebr	25
Hannan, Bezie, 1272 Bardstown Road, Louisville, N. Y	20
Howell, Belle M., State librarian, Lincoln, Nebr	16
Harnsberger, Mrs. Josephine, Ashland, Nebr	51
Harnsberger, Wm. A., Ashland, Nebr	36
Hughes, J. H., Ravenna, Nebr	10
Hawley, Mary W., 1701 Madison Avenue, Dunmore, Pa	6
Hilsdon, Carrie B., Sangatuck, Conn	3
Hubbell, Susie G., Sangatuck, Conn	3
Hershey, Florence M., 607 West Seventeenth Street, Oklahoma City, Okla	5
Itmyer, Martha J., 1922 Cass Street, Omaha, Nebr	100
Ives, Eva Locke, 532 South Twenty-fifth Avenue, Omaha, Nebr	32
Irons, Byron L., 2208 Howard Street, Omaha, Nebr	50
Irons, M., 1320 Farnam Street, Omaha, Nebr	138
Jonas, Dr. A. F., Omaha, Nebr	206
Jones, W. H., care of World Realty Co., Sun Theatre Building, Omaha, Nebr	20
Jones, Ellen, care of Byron Reed Co., 212 South Seventeenth Street, Omaha, Nebr	25
Johnstone, Kate A., and R. H. Allerton, 757 First National Bank Building, Chicago, Ill	120
Johnstone, Kate A., 757 First National Bank Building, Chicago, Ill	506
Johnstone, Allerton, 757 First National Bank Building, Chicago, Ill	3
Johnstone, Vanderburgh, 757 First National Bank Building, Chicago, Ill	14
Johnstone, K. A., 703 South Pasadena Avenue, Pasadena, Cal	24
Jenney, H. P., New Bedford, Mass	66
Jordan, James, 1154 Monroe Avenue, Rochester, N. Y	28
Johnson, Jennie Blake, Nahant, Mass	88
Jensen, Susan M., 61 Broad Street, Norwich, Conn	25
Jones, Frank A., Union Stock Yards Company, South Omaha, Nebr	20
Jackson & Curtis, 19 Congress Street, Boston, Mass	88
Keogh, Mary R., care of Paxton Gallagher Co., Omaha, Nebr	15
Kennedy, Josephine S., 127 North Forty-second Street, Omaha, Nebr	27
Kessler, Herman, Ramage Block, Omaha, Nebr	25
Krause, Fred., care of Byron Reed Co., 212 South Seventeenth Street, Omaha, Nebr	25
Kirschbraun, Chas., 1209 Howard Street, Omaha, Nebr	25
Kettleson, Mrs. Louis J., Apartment 20, the Strehlow, Omaha, Nebr	9
Kennedy, Investment Co., care of J. A. C. Kennedy, 1503 City National, Omaha, Nebr	53
Koenig, Elsa, 1505 Douglas Street, Omaha, Nebr	20
Kountze, Alice A., 425 South Thirty-ninth Street, Omaha, Nebr	50
Kountze, Clara S., checks to Omaha National Bank account, C. S. K., Omaha, Nebr	150
Kayser, Fred'k W., 1507 Douglas Street, Omaha, Nebr	20
Kayser, Oscar, Bellevue, Nebr	153
Kayser, Vera W., Bellevue, Nebr	30
Kayser, Hertha, Bellevue, Nebr	20
Kayser, Emma E., Bellevue, Nebr	20
Keith, Jennie P., R. F. D. 10, Box 61, Los Angeles, Cal	10
Kase, Mrs. Marion S., care of Jos. M. Harlan, Merion Station, Pa	94
Klemm, Lavinia S., 1618 Jefferson Street, Philadelphia, Pa	94
Kalk, Flora S., care of F. F. Gillon, The Iowa Apartment, Washington, D. C.	64
Killips, Amelia L., 30 Doty Street, Fon Du Lac, Wis	30
Kessler, Richard H., jr., 595 Jean Street, Oakland, Cal	1
Kuch, Charles F., trustee under will E. Hubbell Hotchkiss, 12 Franklin Street, South Norwalk, Conn	100
Kaufman, Solomon, 104 West One hundred and third Street, New York, N. Y	18
Kenny, John M., Lewistown, Mont	5
Karnes, Jessie D., care of United States & Mexican Trust Co., 924 Baltimore Avenue, Kansas City, Mo	63
Kimball, Geo. M., Concord, N. H	363

Kimball, Louise G., care of S. S. Kimball, Concord, N. H.	19
Kimball, Elizabeth D., care of J. H. Kimball, Bath, Me.	33
Kimball, Sally B., 15 Deering Street, Portland, Me.	7
Kilpatrick Bros., Beatrice, Nebr.	100
Kilpatrick, W. H., Beatrice, Nebr.	62
Kilpatrick, R. J., Beatrice, Nebr.	62
Kilpatrick, S. D., Beatrice, Nebr.	56
Loomis, G. W., care of Chicago, Burlington & Quincy Railroad Co., Omaha, Nebr.	50
Leary, Dennis, 1142 South Thirty-first Street, Omaha, Nebr.	150
Landis, Mary A., 317 South Twenty-seventh Street, Omaha, Nebr.	25
Lindquest, Gunnar A., 1815 Farnam Street, Omaha, Nebr.	190
Lampe, Joseph J., 4824 Davenport Street, Omaha, Nebr.	70
Leighon, Florence, 2454 Harney Street, Omaha, Nebr.	12
Lake, Abbie G., 2204 Dodge Street, Omaha, Nebr.	10
Lynch, Anna, 1519 City National Bank Building, Omaha, Nebr.	100
Lemley, Mr. Kathinka, 517 North Twenty-third Street, Omaha, Nebr.	2
Lehner, Mr. Irene, 1822 Emmett Street, Omaha, Nebr.	2
Lundell, Mrs. Clara, care of Union Trust Co., Plaza Branch, Fifth Avenue and 60th Street, New York City, N. Y.	203
Loder, S. H., 3707 Holdrege Street, Lincoln, Nebr.	50
Lincoln, Hattie L., care of Lincoln W. Gibbs, Wiseasset, Me.	12
Lemon, Nora H., 400 Foster Street, Fort Atkinson, Wis.	8
Laughlin, John J., Imogene, Iowa	20
Lavery, Miss Nellie, Ashland, Nebr.	25
Lewis, Josephine B., care of Jos. W. Lewis, 15 Westminster Street, Providence, R. I.	50
Lewis, Jos. W., care of Jos. W. Lewis, 15 Westminster Street, Providence, R. I.	50
Liver, Magdalena V. (Mrs.) Care of C. B. Liver & Co., 1510 Capitol Avenue, Omaha, Nebr.	4
Marple, Mora B., Checks to First National Bank of Omaha, Acct. M B M 3009 Harney Street, Omaha, Nebr.	35
Montgomery, Sarah, care of A. Forman, 1602 South Thirty-second Avenue, Omaha, Nebr.	2
Mahoney, Helene, 135 West Seventy-ninth Street, New York City, N. Y.	354
Mahoney, T. J., 135 West Seventy-ninth Street, New York City, N. Y.	573
Marriott, A. D., 901 Omaha National Bank Building, Omaha, Nebr.	10
Magee, Ella C., 432 South Thirty-eighth Avenue, Omaha, Nebr.	39
Marsh, Wm., 1229 City National Bank Building, Omaha, Nebr.	155
Marsh, Frank, 1229 City National Bank Building, Omaha, Nebr.	30
Marsh, Allan, A., 1229 City National Bank Building, Omaha, Nebr.	50
Marsh, Flora M., 808 Pine Street, Omaha, Nebr.	110
Mailender, Theresa, 3023 South Thirty-second Avenue, Omaha, Nebr.	50
Morill, Mr. H. B., 3315 Woolworth Avenue, Omaha, Nebr.	9
Morrison, Margaret, 407 North Twenty-fifth Street, Omaha, Nebr.	10
Morrison, Jennie, 407 North Twenty-fifth Street, Omaha, Nebr.	25
Moore, Eliza B., care of Byron Reed Co., 212 South Seventeenth Street, Omaha, Nebr.	15
Martin, John T., Martin Bros. & Co. U. S. Yards, Chicago, Ill.	45
Madden, Maria, 3816 Pine Grove Avenue, Chicago, Ill.	45
Madison, Wm., Lake Geneva, Wis.	20
May, Alice Chapin, care of Armour & Co., Chicago, Ill.	169
Meyers, Maud, Bellevue, Nebr.	10
Meyer, Sarah, care of Abraham Meyer, 208 South LaSalle Street, Chicago, Ill.	363
Mooney, John J., 135 Adams Street Merchants Loan & Trust Co., Chicago, Ill.	10
Mandel, Babette, 3400 Michigan Avenue, Chicago, Ill.	35
Moynahan, Julia, 757 First National Bank Building, Chicago, Ill.	65
Maish, Pauline Bourke, care of Mrs. John C. Bourke, The Dresden, Washington, D. C.	6
Morrill, Emma J., 4127 South Twenty-fourth South Side, Omaha, Nebr.	20
Metzgar, Mrs. Theresa, 57 East Seventy-second Street, New York, N. Y.	227
Miller, Rutger B., executor, 43 Cedar Street, New York, N. Y.	10
Miller, Mary Louise, care of Union Trust Co., Fifth Avenue and Sixtieth Street, New York, N. Y.	130

Mack, Sarah, Hotel Ansonia Apartment 14, fourth floor, New York, N. Y.	3
Miller, Mary Maude, 847 Main Street, Danville, Va.	19
Miller, John G., 901 Times Despatch Building, Richmond, Va.	4
Miller, Turner A., 901 Times Despatch Building, Richmond, Va.	4
Miller, Charles E., 818 Harrison Avenue, Canon City, Colo.	68
Meyer, Ida L., 300 Western Avenue, Watertown, Wis.	36
Millard, Ernest G., 2002 Elizabeth Street, Pueblo, Colo.	23
Millard, Ernest G., guardian, Elizabeth Street, Pueblo, Colo.	11
Mills, E. A., 42 St. James Park, Los Angeles, Cal.	57
Myers, Carl, 2227 Jones Street, Omaha, Nebr.	50
Morse, Gertrude D., 503 Winch Building, Vancouver, B. C.	195
Martin, Mary C., 1901 Green Street, Philadelphia, Pa.	240
Mitchell, Mary E., Tazewell County, Minier, Ill.	50
Mortimer, Mrs. Rose A., Shelton, Nebr.	20
Morgan, J. E., Spring Green, Wis.	131
Marshall, Charles E., Henry County, Glen Mary, Ky.	88
Mixer, Florence K., care of Citizens' Savings & Trust Co., Cleveland, Ohio.	600
Miller, Edith A., 849 Jancey Street, Pittsburgh, Pa.	118
Maupin, Agnes M., trustee, care of A. Taliaferro, Rapidan, Va.	20
Murphy, Helen C., care of E. F. Classen, 1276 Early Avenue, Chicago, Ill.	40
Macdonald, Helen F. (Mrs.), 2222 Calumet Avenue, Chicago.	120
McPherson, Thomas B., Elks Building, Omaha, Nebr.	107
McGinn, Catherine C., 1910 Cass Street, Omaha, Nebr.	120
McGinn, F. C., 102 North Thirty-second Avenue, Omaha, Nebr.	10
McClintock, Margaretta F., 127 North Thirty-ninth Street, Omaha, Nebr.	31
McClanahan, H. M., 468 Brandeis Building, Omaha, Nebr.	120
McClanahan, Nellie E., 1312 North Fortieth Street, Omaha, Nebr.	110
McShane, Alice, 414 Gilbert Building, Beaumont, Tex.	10
McCheane, Margaret L., 119 North Thirty-second Avenue, Omaha, Nebr.	14
McMahon, Mary, Comenius School, Omaha, Nebr.	1
McCoun, Lester B., 950 Omaha National Bank Building, Omaha, Nebr.	16
McDonald, Charles G., 112 North Thirty-eighth Avenue, Omaha, Nebr.	41
McDonald, Charlotte C., Guardian 112 North Thirty-eighth Avenue, Omaha, Nebr.	10
McDonald, Mrs. Charlotte C., 112 North Thirty-eighth Avenue, Omaha, Nebr.	40
McDonald, Laura A., Wayland Academy, Beaver Dam, Wis.	7
McCook, Hettie B., 33 West Fifty-fourth Street, New York, N. Y.	250
McClure, Frances C., 2710 Jackson Street, Sioux City, Iowa.	17
McCarthy, Margaret, 108 Trowbridge Street, Cambridge, Mass.	38
McCabe, D. T., Room 819 Pennsylvania Station, Pittsburgh, Pa.	130
McCabe, Fannie M., Room 819 Pennsylvania Station, Pittsburgh, Pa.	5
McCormick, Harriet Hammond, 108 LaSalle Street, Suite 1212, Chicago, Ill.	120
McKenney, Albertine, 520 East Morgan Street, Dixon, Ill.	5
Nebraska, Baptist State Convention, care W. E. Rhoades, U. S. National Bank, Omaha, Nebr.	40
Nash, C. B. Co., Omaha, Nebr.	200
Nairne, F. B., Box 244, Scarsdale, N. Y.	15
Newell, Alice Blake, 196 Commonwealth Avenue, Boston, Mass.	88
Naudain, Evelyn, 431 Park View Street, Los Angeles, Cal.	33
Naudain, A. S., 431 Park View Street, Los Angeles, Cal.	25
Nikolas, Kathryn, 302 Bee Building, Omaha, Nebr.	20
Olmstead, Kate, care Hollett Sauter & Henkel, 30 North LaSalle Street, Chicago, Ill.	117
Olmstead, Charles S., 30 North LaSalle Street, Chicago, Ill.	8
Osborn, Stanley R., 4751 Kenmore Avenue, Chicago, Ill.	25
Oney, Frances G., 4807 North Twenty-fourth Street, Omaha, Nebr.	12
O'Neill, Richard D., 1335 South Ninth Street, Omaha, Nebr.	10
Parish, Elizabeth, 422 First National Bank Building, Omaha, Nebr.	5
Peck, Mary E., 401 South Fortieth Street, Omaha, Nebr.	32
Pryor, Ellsworth W., care Commercial Club, Omaha, Nebr.	10
Peters, Alma, 526 South Twenty-sixth Avenue, Omaha, Nebr.	4
Patrick, Eliza B., 144 North Thirty-eighth Avenue, Omaha, Nebr.	108
Platt, C. T., 415 City National Bank Building, Omaha, Nebr.	25
Pancoast, Selma A., 4810 Davenport Street, Omaha, Nebr.	36

Peterson, Erik, 1822 Webster Street, Omaha, Nebr-----	20
Peycke, Anna, care Metz Bros., Omaha, Nebr-----	40
Pardun, Alfred R., 1507 Farnam Street, Omaha, Nebr-----	10
Plambeck, Otto, Elkhorn, Nebr-----	15
Parker, A. R., or Kate N. Parker, care U. S. Yards Co., South Omaha, Nebr-----	16
Peck, Edward P., care Omaha Elevator Co., South Omaha, Nebr-----	7
Pearsons, Elizabeth, care Katie N. Pearson, 833 Wrightwood Avenue, Chicago, Ill-----	10
Peaslee, Mrs. Laura J., 4201 Ellis Avenue, Chicago, Ill-----	36
Pratt, Aimee M., care of Hotel Princeton, 1277 Commonwealth Avenue, Boston, Mass-----	40
Powell, Marion F., care of L. J. W. Jones Interlaake, Tacoma, Wash-----	3
Parke, Elizabeth R., 123 West Main Street, Gowanda, N. Y-----	12
Pearsons, Lulu W., 17½ South Eighth Street, Fort Dodge, Iowa-----	23
Trustees Charles J. Paine, 613 Sears Building, Boston, Mass-----	177
Pipher, S. Beatrice, mail to Beatrice Pipher Parsons, 421 East Third Street, Gibbs Apartment, Long Beach, Cal-----	20
Paine, Frank C., Weston, Mass-----	19
Parker, Fannie A. C., 78 Lancaster Terrace, Brookline, Mass-----	15
Parker, Henry F., 71 McKinley Avenue, Norwich, Conn-----	1
Puffer, M. J. R., 6 Main Street, Brockton, Mass-----	36
Plaister, Cornelia, care of Public Library, Sioux City, Iowa-----	8
Patterson, James A., 801 Tyon Street, Colorado Springs, Colo-----	4
Park, Adelaide C., 306 Wauwatosa Avenue, Wauwatosa, Wis-----	2
Paschel, Charles F., 7 Pearl Street, Council Bluffs, Iowa-----	19
Pollard, John, Ashland, Nebr-----	50
Pease, Mrs. Mary D., 720 Prospect Avenue, Hartford, Conn-----	5
Pease, Marshall C., jr., care of H. A. Cushing, 43 Cedar Street, New York, N. Y-----	91
Pollard, Josephine, Ashland, Nebr-----	50
Paine, Charles J., 613 Sears Building, Boston, Mass-----	36
Paine, John B., 613 Sears Building, Boston, Mass-----	36
Parsons, Beatrice, 421 East Third Street, Gibbs Apartment, Long Beach, Cal-----	7
Parsons, Beatrice or Will N., 421 East Third Street, Gibbs Apartment, Long Beach, Cal-----	3
Quinn, Mrs. Patrick, 1556 North Nineteenth Street, Omaha, Nebr-----	30
Quinn, Patrick, 1556 North Nineteenth Street, Omaha, Nebr-----	10
Quinn, Elizabeth E., Elkhorn, Nebr-----	5
Quinn, William F., Elkhorn, Nebr-----	90
Quinn, John H., Elkhorn, Nebr-----	67
Rustin, Mrs. Mary W., 205 South Thirty-seventh Street, Omaha, Nebr-----	140
Rugg, J. E., 5838 Kenmore Avenue, Chicago, Ill-----	50
Reid, Mary Anna, 819 North Forty-second Street, Omaha, Nebr-----	8
Reichenberg, William A., care of the Byron Reed Co., Omaha, Nebr-----	2
Reed, Abraham L., care of Byron Reed Co., 212 South Seventeenth Street, Omaha, Nebr-----	150
Rohwer, Henry B., care Byron Reed Co., 212 South Seventeenth Street, Omaha, Nebr-----	22
Rohwer, Anna E., care of Byron Reed Co., 212 South Seventeenth Street, Omaha, Nebr-----	39
Rohwer, John C., care of Byron Reed Co., 212 South Seventeenth Street, Omaha, Nebr-----	70
Ransom, F. T., 562 Brandeis Theater Building, Omaha, Nebr-----	250
Ransom, Anna, 120 South Thirty-fourth Street, Omaha, Nebr-----	100
Richards, Emily J., 4004 Harney Street, Omaha, Nebr-----	1
Remington, George Anna, 6 Beaton Apartment, Omaha, Nebr-----	92
Rogers, Anna C., 5202 Cass Street, Omaha, Nebr-----	88
Rogers, Mrs. Ella J., 127 North Thirty-second Avenue, Omaha, Nebr-----	59
Redick, Grace H., care of O. C. Redick, 224 Omaha National Bank, Omaha, Nebr-----	100
Rickard, Clara S., 3009 South Twenty-fourth Street, Omaha, Nebr-----	10
Reynolds, Ella M., 6 Elks Building, Omaha, Nebr-----	25
Richards, Sadie, 4253 Prairie Avenue, Chicago, Ill-----	10
Roloson, R. W., room 58, Board of Trade Building, Chicago, Ill-----	250
Roloson, Walter L., room 49 Board of Trade Building, Chicago, Ill-----	62

Robertson, M. E., care of P. L. Fisher, 208 South La Salle Street, Chicago, Ill.	33
Robbins, George B., 208 South La Salle Street, Chicago, Ill.	100
Rosenbaum, Emma, care of Rosenbaum Bros. & Co., Union Stock Yards, Chicago, Ill.	35
Reitenbach, R. C., care Franklin Trust Co., Franklin, Pa.	200
Reitenbach, H. F., care of Franklin Trust Co., Franklin, Pa.	208
Rapp, Mathilde F., checks to J. P. Morgan & Co., box 3036, New York, for account of 4 Rue de Strasbourg Montmarillon (Vienne, France)	111
Robertson, Mary E., 4620, Twenty-third Street, South Omaha, Nebr.	10
Ronalds, Mrs. Mary F., mail to P. Lorillard Ronalds, 11 Bis Rue de la Bume, Paris, France.	81
Railsback Bros., Ashland, Nebr.	400
Railsback, Mrs. Sue M., Ashland, Nebr.	30
Railsback, J. C., Ashland, Nebr.	50
Radiker, A. D., Ashland, Nebr.	6
Riegal, Solomon, Ashland, Nebr.	10
Rippere, Aline H., 25 Prospect Street, Ansonia, Conn.	10
Richmond, Percy L., Shelburne Falls, Mass.	6
Ryan, Agnes C., Scarsdale, N. Y.	1
Rice, Lottie L., 817 Market Street, Logansport, Ind.	50
Randall, Miss Matilde B., 71 McKinley Avenue, Norwich, Conn.	1, 180
Rainey, H. E., care of Packers' National Bank, South Omaha, Nebr.	25
Rogan, Mary J., Hamilton County, Glendale, Ohio.	64
Rogan, Roger K., mail to Mrs. Roger K. Rogan, Glendale, Ohio.	63
Rogan, Ralph F., care of Proctor Gamble Co., Cincinnati, Ohio.	63
Richards, George H., Laurence Minot and F. C. Welch, trustees, mail to G. H. Richards, 613 Sears Building, Boston, Mass.	54
Rustin, Grace How, 74 Main Street, Concord, Mass.	100
Rogers, Elizabeth C. F., 41 Prospect Street, Trenton, N. J.	60
Robinson, Mrs. Annie, care of A. E. Hubbard, Valley, Nebr.	20
Regan, Mrs. Jane, Imogene, Iowa.	13
Rowan, Laura D., 21 Elmwood Avenue, South Norwalk, Conn.	3
Robbins, Miss Charlotte M., Groton, Mass.	70
Reed, Margaret, 2620 North Fifty-sixth Street, Omaha, Nebr.	3
Rose, Dora, Benson, Nebr.	7
Scannell, B. J., 509 Ware Block, Omaha, Nebr.	30
Scannell, B. J., trustee, 509 Ware Block, Omaha, Nebr.	25
Stebbins, Mary J., care of U. S. Trust Co., Omaha, Nebr.	6
Sharp, J. C., Union Stock Yards Co., Omaha, Nebr.	15
Sharp, Jack, 6 Woodland Apartment, Omaha, Nebr.	83
Sharp, Martha, 311 North Forty-first Street, Omaha, Nebr.	54
Stevens, T. E., 820 World-Herald Building, Omaha, Nebr.	200
Stroud, T. F., Omaha, Nebr.	13
Stroud, Nora A. (Mrs.), 5100 Florence Boulevard, Omaha, Nebr.	5
Sanders, Clara E., 2232 South Thirty-second Avenue, Omaha, Nebr.	20
Selleck, Charles, 413 North Thirty-ninth Street, Omaha, Nebr.	54
Squires, Geo. G., mail to Mrs. G. G. Squires, executrix, care Blackstone Hotel, Omaha, Nebr.	120
Shultz, Anna M., 2028 North Eighteenth Street, Omaha, Nebr.	27
Stebbins, Mary J. and Maria L. Conner, trustees, 532 South Twenty-fifth Avenue, Omaha, Nebr.	7
Swoboda, Geo. H., 5807 North Twenty-fourth Street, Omaha, Nebr.	20
Seiter, Wm. F., 710 Park Avenue, Omaha, Nebr.	30
Seiter, Herbert H., 710 Park Avenue, Omaha, Nebr.	11
Seiter, Clarence W., 710 Park Avenue, Omaha, Nebr.	27
Saunders, Charles L., Saunders-Kennedy Building, Omaha, Nebr.	16
Seiter, Miss Marfa, 710 Park Avenue, Omaha, Nebr.	44
Spratlen, Mrs. Mary E., 3121 Pacific Street, Omaha, Nebr.	84
Spratlen, Victoria A., 3121 Pacific Street, Omaha, Nebr.	47
Smith, Miss Dorothy, 3565 Howard Street, Omaha, Nebr.	31
Smith, Geo. Warren, care W. Farnam Smith, 1329 Farnam Street, Omaha, Nebr.	2, 666
Smith, W. Farnam, 1329 Farnam Street, Omaha, Nebr.	173
Smith, B. F., care U. S. National Bank, Omaha, Nebr.	500
Smith, Helen Edith, 3565 Howard Street, Omaha, Nebr.	24

Smith, Chas. E., Douglas Block, Sixteenth and Dodge Streets, Omaha, Nebr.	145
Smith, Louise F., 3565 Harney Street, Omaha, Nebr.	10
Spratlen, Lee W., care C., B. & Q. R. R., 547 West Jackson Boulevard, Chicago, Ill.	101
Swift, L. F., Union Stock Yards, Chicago, Ill.	736
Swift, Edw. F., Union Stock Yards, Chicago, Ill.	1,020
Selz, Austin, care Selz, Schwab & Co., 40 South Market Street, Chicago, Ill.	16
Selz, Emanuel F., Superior and Kingsburg Streets, Chicago, Ill.	82
Selz, Abraham K., Superior and Kingsburg Streets, Chicago, Ill.	132
Selz, J. H., E. F., & A. K., trustees, Superior and Kingsburg Streets, Chicago, Ill.	97
Selz, Frank E., 40 South Market Street, Chicago, Ill.	16
Silverthorne, Wm. E., J. Ogden Armour, and S. B. Chapin, executors, 208 South LaSalle Street, Chicago, Ill.	169
Sheperd, Mrs. Martha J., care Wm. J. Watson, 1251 First National Bank Building, Chicago, Ill.	20
Schwab, Chas. H., 3301 Michigan Avenue, Chicago, Ill.	319
Sheldon, Fannie M., 1356 Astor Street, Chicago, Ill.	50
Shaw, Elizabeth, 757 First National Bank Building, Chicago, Ill.	15
Stern, Joseph, 55 West Fiftieth Street, New York, N. Y.	218
Sloan, Bertha J., care Perry Allen, 30 Broad Street, New York, N. Y.	1
Saxe, Georgia P., 337 West Seventy-seventh Street, New York, N. Y.	155
Saxe, Georgia P., trustee, 337 West Seventy-seventh Street, New York, N. Y.	100
Saxe, Georgia P., guardian, 337 West Seventy-seventh Street, New York, N. Y.	15
Smith, A. B., care G. P. A., N. Y., N. H. & H. R. R., Yellow Building, New Haven, Conn.	20
Smith, Fred H., 50 State Street, Boston, Mass.	74
Smith, S. Josephine, checks to Fred H. Smith for account, 50 State Street, Boston, Mass.	81
Symonds, Eben B., and F. B. Bemis, trustees, 50 State Street, Boston, Mass.	168
Spring, Mrs. Julia A., 90 St. Marys Street, Boston, Mass.	4
Sears, May C., checks to Charles E. Cotting for account Ninth Fremont Street, box 1155, Boston, Mass.	54
Safford, Margarite, Second Harrison Hall, Trinity Court, 175 Dartmouth Street, Boston, Mass.	20
Bay State Branch Old Colony Trust Co., care of Mrs. Louisa C. Steele, 222 Boylston Street, Boston, Mass.	9
Spaids, Miss Susie E., Leesburg, Loudoun County, Va.	10
Spaids, Miss Kate L., Leesburg, Loudoun County, Va.	10
Spaids, S. E., Leesburg, Loudoun County, Va.	5
Smith, Capt. A. Calvert, 64 Edgehill Road, New Haven, Conn.	1
Smith, George W., Geneva, Nebr.	50
Smith, F. W., Arlington, Nebr.	7
Shriver, Edgar B., and Thomas B., jr., 1428 North Sixteenth Street, Philadelphia, Pa.	50
Shriver, Edgar B., 518 South Forty-sixth Street, Philadelphia, Pa.	74
Shriver, Thomas B., jr., West Philadelphia Stock Yards, Thirtieth and Race Streets, Philadelphia, Pa.	74
Schindel, Roscoe E., Twenty-fourth and N Streets, South Omaha, Nebr.	25
Schindel, Alice, Twenty-fourth and N Streets, South Omaha, Nebr.	3
Stryker, A. F., Exchange Building, South Omaha, Nebr.	1
Standish, J. D., jr., care of Security Trust Co., Detroit, Mich.	28
Sherman, Lola J., Amenia, Dutchess County, N. Y.	288
Sherman, Catherine, 186 Cass Avenue, Mount Clemens, Mich.	65
Springer, Samuel E., 444 Federal Building, Denver, Colo.	72
Sweet, Cornelia E., First National Bank, Belle Plaine, Iowa.	16
Scott, Leonora C., care of Seerley & Clark, 409 Tama Building, Burlington, Iowa.	65
Simmons, Anna G., 3005 North Fourteenth Avenue, Omaha, Nebr.	10
Summers, Caroline D., care of American Security & Trust Co., Washington, D. C.	30
Simpson, Carrie E., mail to Mrs. Carrie S. Chamberlain, 1695 Magnolia Drive, Cleveland, Ohio.	2

Stuart, William M., Washington, Va.....	4
Skinner, Kittie, care of James Cunningham, Des Moines Life Building, Des Moines, Iowa.....	20
Steele, Miss Eloise, care of B. D. Whedon, 14 Wall Street, New York City, N. Y.....	26
Satou, Nona B., 310 South Fourth Street, Lyons, Iowa.....	100
Sklenars, Joseph, care of Bank of Two Rivers, Two Rivers, Wis.....	5
Sheahan, Dr. Joseph M., Quincy, Mass.....	5
Sheahan, Henry B., Quincy, Mass.....	46
Sayles, Ella S., box 475, La Jolla, Cal.....	10
Snowball, George M., 66 King Street west, Toronto, Canada.....	88
Schwake, Frank, Nebraska City, Nebr.....	10
Schwake, Hannah E., care of Henry Schwake, Nebraska City, Nebr.....	20
Schwake, Ella, care of Henry Schwake, Nebraska City, Nebr.....	45
Sander, Herman A., Papillion, Nebr.....	100
Sander, Mrs. Pauline, Papillion, Nebr.....	107
Sheffer, Nelson, 801 South Thirty-fifth Street, Lincoln, Nebr.....	52
Swanson, Mrs. Elizabeth, Ashland, Nebr.....	48
Shears, Mary S., mail to Mary S. Everett, 620 South Seventeenth Street, Lincoln, Nebr.....	17
Smiley, Harriett Agnes, South Omaha, Nebr.....	5
Smiley, Libbie P., 4426 South Twenty-second Street, South Omaha, Nebr.....	25
Schaefer, Fred Henry, Marshall, Mo.....	1
Smiley, Byron G., care of Byers Bros., 151 Exchange Building, South Omaha, Nebr.....	10
Sheffer, Mrs. Ella D., 801 South Thirty-fifth Street, Lincoln, Nebr.....	10
Sommer, Dr. Edward A., Ashland, Nebr.....	16
Towle, Eliza A., 3817 Dewey Avenue, Omaha, Nebr.....	70
The Franciscan Monastery of St. Clare, Omaha, Nebr.....	99
The House of the Good Shepherd, Fortieth and Jackson Streets, Omaha, Nebr.....	215
The Franciscan Sisterhood of Nebraska, mail to Creighton Memorial, St. Joseph Hospital, Omaha, Nebr.....	377
The Creighton University, Omaha, Nebr.....	1100
Todd, Frances M., checks to Frances Todd Bradford for account of the Geneva Apartment, Long Beach, Cal.....	5
Torpey, Frank, 5102 South Twenty-sixth Street, care of Pat O'Day Pack- ing Co., Omaha, Nebr.....	20
The Merchants Loan & Trust Co., Chauncey Keep and A. B. Jones, trustees, 112 West Adams Street, Chicago, Ill.....	651
The Incorporated Parish of St. Patrick's Church, Edmond Hays, treasurer, Imogene, Iowa.....	57
Torrey, Amanda W., care of Torrey B. & Capin, 350 Washington Street, Boston, Mass.....	43
Taylor, Henry C., 35 Richard Street, Wocester, Mass.....	71
Twitchell, G. M., 160 Pleasant Street, Auburn, Me.....	4
Twitchell, Florence A., 160 Pleasant Street, Auburn, Me.....	1
Thomas, Helen B., 52 Elm Avenue, Rosedale, Toronto, Canada.....	19
Tucker, Sara E., Hamilton, Bermuda.....	15
Thayer, John B., jr., Haverford, Pa.....	5
Thayer, Frederick M., Haverford, Pa.....	5
Thayer, Margaret, Haverford, Pa.....	5
Thayer, Pauline, Haverford, Pa.....	5
Tabor, Isabella A., 530 West California Street, Pasadena, Cal.....	100
Tabor, Agner M., 530 West California Street, Pasadena, Cal.....	100
Tabor, Ernestine W., care of L. V. Patch, Payette, Idaho.....	88
Tabor, Ernestine, care of L. V. Patch, Payette, Idaho.....	12
Towle, Elizabeth Adelaide (Miss), 85 Federal Street, Salem, Mass.....	12
United States Trust Co. of Omaha, trustees, Omaha, Nebr.....	100
Updegraff, E. J., 545 Brandeis Building, Omaha, Nebr.....	28
United States Trust Co. of New York, 45-47 Wall Street, New York, N. Y.....	600
Vincent, Miss K. E., 4815 Capitol Avenue, Omaha, Nebr.....	10
Vincent, Margaret, 4815 Capitol Avenue, Omaha, Nebr.....	7
Van Sickle, Mrs. Martha O., Ashland, Nebr.....	60
Valentine, May L., 208 South LaSalle Street, Chicago, Ill.....	300
Van Voorhis, Jane Standish, 109 Lee Street, Brookline, Mass.....	27

Vail, Mrs. Hortense O., care of Second National Bank, Fifth Avenue and Twenty-eighth Street, New York, N. Y.	106
Van Ness, B., 838 Park Avenue, Baltimore, Md.	16
Vana, J. C., 5014 South Twenty-third Street, South Omaha, Nebr.	100
Vermillion, Dottie, 2308 E Street, South Omaha, Nebr.	17
White, Frances E., E. C. T. Kountze and P. F. McGrew, trustees, mail to Frances E. White, Sixteenth Street and Capitol Avenue, Omaha, Nebr.	53
Wattles, G. W., United States National Bank, Omaha, Nebr.	10
Wade, Mary B., care of Byron Reed Co., 212 South Seventeenth Street, Omaha, Nebr.	10
Wheatley, Emma, 344 East Park Street, DuQuoin, Ill.	15
Wilson, Maria L., 1911 Emmett Street, Omaha, Nebr.	10
Wilde, Ida Emma, 2515 St. Mary's Avenue, Omaha, Nebr.	2
Wilke, William, 424 South Fortieth Street, Omaha, Nebr.	10
Whitmore, H. P., trustee, 1517 Dodge Street, Omaha, Nebr.	58
Whitmore, Mrs. H. P., 1517 Dodge Street, Omaha, Nebr.	27
Webster, Flora, 518 South Twenty-fifth Avenue, Omaha, Nebr.	5
Williams, Mary D., care of O. B. Williams, 1404 Farnam, Omaha, Nebr.	22
Williams, Arthur L., trustee, 1708 Dodge Street, Omaha, Nebr.	6
Willey, Fred, care of A. Forman, 1602 South Thirty-second Avenue, Omaha, Nebr.	2
Willey, Phoebe M., care of A. Forman, 1602 South Thirty-second Avenue, Omaha, Nebr.	1
Wakeley, Morton, care of L. W. Wakeley, care of C., B. & Q. R. R., Omaha, Nebr.	5
Wakeley, Thompson, care of L. W. Wakeley, care of C., B. & Q. R. R., Omaha, Nebr.	5
Wilson, Helen M., 1603 South Twenty-fifth Street, care of E. D. Hazzard, Lincoln, Nebr.	3
Waixel, Monie D., care of J. J. Tounsand & Co., 208 South La Salle Street, Chicago, Ill.	200
Waixel, David, care of South Side State Bank, Forty-third Street and Cottage Grove Avenue, Chicago, Ill.	100
Waixel, Caroline, care of Illinois Trust & Savings Bank, Chicago, Ill.	173
White, Mary I., 1433 Howard Street, Chicago, Ill.	4
Walsh, Marie A., 4724 Ellis Avenue, Chicago, Ill.	75
Walsh, Nellie G., 4724 Ellis Avenue, Chicago, Ill.	37
Walsh, Gertrude A., 4724 Ellis Avenue, Chicago, Ill.	13
Witten, W. S., Union Stock Yards, Chicago, Ill.	20
Woman's Board of Missions of the Interior, room 1315, 19 South La Salle Street, Chicago, Ill.	187
Williams, M. D., 1306 Chamber of Commerce, Chicago, Ill.	50
Williams, Grace G., 757 First National Bank Building, Chicago, Ill.	37
Warren, Mrs. A. J., 66 Dudley Street, Medford, Mass.	14
Welch, Frances C. and Charles E. Cotting, trustees, mail F. C. Welch, 73 Tremont Street, Boston, Mass.	62
Williams, Jessie S. D., 990 Prospect Avenue, Hartford, Conn.	43
Woodworth, W. S., box 198, Laramie, Wyo.	41
Western, Maude Stanton, 1821 Jefferson Place NW., Washington, D. C.	44
Wood, Ora C., 603 State Street, Algona, Iowa.	50
Westcott, Missouri F., 143 West Ninety-ninth Street, R. D. No. 4, Los Angeles, Cal.	100
Waixel, Hannah, 33 East Sixty-third Street, New York, N. Y.	170
Walker, Mrs. Mercy A., Palatine Bridge, New York, N. Y.	1
Waite, Lizzie H., Culpeper, Va.	26
Waite, Mary L., Culpeper, Va.	26
Waite, Charles M., Culpeper, Va.	3
Waite, William C., Culpeper, Va.	5
Weible, M. L., care of Mrs. Fred Towle, 514 Leslie Street, Stuttgart, Ark.	10
Withers, Anna B., 1729 Chancellor Street, Evanston, Ill.	40
Woodbridge, Adele T., 171 Newbury Street, Boston, Mass.	6
Wheaton, Mrs. Maria B., 939 Washington Street, Denver Colo.	30
Wood, Ida S., Orange County, Laguna Beach, Cal.	48
Wint, Alpha F., 1605 Capouse Avenue, Scranton, Pa.	7
Webber, Gertrude T., 207 Winchester Street, Brookline, Mass.	32
Whedon, Charlotte, 1530 South Twenty-second Street, Lincoln, Nebr.	20
Wiggenhorn, Miss Eugenia, Ashland, Nebr.	46

Wiggenhorn Miss Dora, Ashland, Nebr-----	47
Walters, J. S., Union Stockyards, South Omaha, Nebr-----	14
Walters, Mrs. J. S., South Omaha, Nebr-----	17
Whittlesey Mrs. Minnie, 4311 South Twenty-second Street, South Omaha, Nebr-----	10
Wurster, Christian, 105 Southwest Chestnut, Creston, Iowa-----	30
Wiggenhorn, Miss Barbara, Ashland, Nebr-----	10
Yancey, E. D., Culpeper County, Alanthus, Va-----	26
Yates, Eliza B., Nebraska National Bank, Omaha, Nebr-----	1
Yates, H. W., treasurer Nebraska National Bank, Omaha, Nebr-----	62
Yankton College, Yankton, S. Dak-----	26
Zellhoeffer, Forrest L., care of Union Stock Yards Natioanal Bank, Omaha, Nebr-----	5

Mr. SANDERS. As of what date?

Mr. BUCKINGHAM. This is as of November 30, 1918, which was the ending of our fiscal year. Now, there might be a mistake of one or two or three shares, but that is correct so far as I can make it.

Mr. SANDERS. You will file that with your hearing?

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. I want to ask you a question in relation to another matter. Has there been any change in your stockholders within the last three or four years that would make necessary asking you to file a list of the stockholders as of 1917, 1916, and 1915, or has your stock been fairly stable.

Mr. BUCKINGHAM. There is a constant changing in the stock. For example, when our secretary found I was going away for a week or 10 days he asked me to sign up 20 or 25 certificates, because there would probably be or might be that many transfers during my absence. This statement of stockholders has been on file with the Nebraska State Railway Commission for, I think, six or seven years; ever since we have been put under that commission.

Mr. SANDERS. Would it be any trouble for you, then, to supply a list of your stockholders as of November, 1917, 1916, and 1915?

Mr. BUCKINGHAM. No; I would be glad to do it.

Mr. SANDERS. I would like for you to do it if it is not any trouble.

Mr. BUCKINGHAM. You will find no material change in the larger holdings, possibly, but you will find a constant changing in the smaller holdings.

Mr. PARKER of New Jersey. I believe you were asked the question as to whether there were any material changes in the stockholdings that would make any change in the representation or control?

Mr. BUCKINGHAM. Absolutely not.

Mr. PARKER of New Jersey. Nothing that would change the control?

Mr. BUCKINGHAM. No.

Mr. SANDERS. As I understood your testimony, the packers, directly or indirectly, own and control 27 per cent of your stock.

Mr. BUCKINGHAM. I stated that no packing company owned any stock.

Mr. SANDERS. I understood that, but Mr. Armour is a packer and a member of a packing company.

Mr. BUCKINGHAM. Mr. Armour personally and Mr. Armour's family own a considerable interest in the company, and the list will give you the number of shares that each member has.

Mr. SANDERS. Does that 27 per cent stockholding enable them to indicate who shall be the board of directors, for instance, of your corporation?

Mr. BUCKINGHAM. Only so far as that 27 per cent would go in the representation.

Mr. SANDERS. When you have your stockholders' meeting, I presume you do like practically every other big corporation, send out blank proxies and ask them to be filled in and sent in to the home office, do you not?

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. Is it not a fact, well known, for instance, in regard to the railroad situation, that the men who control the railroads, do not, by any means, own a majority of the stock of the railroads?

Mr. BUCKINGHAM. I do not know anything about the railroads' management.

Mr. SANDERS. Is it not within the range of possibility that the packers owning 27 per cent of your stock, if the proxies are sent to a party friendly to them, that they therefore can elect the board of directors?

Mr. BUCKINGHAM. Oh, if the proxies are handled in that way; yes. At the same time, with but 27 per cent of the stock owned by them, the other 73 per cent, it would appear, could at any time out-vote them if they wanted to.

Mr. SANDERS. If the other 73 per cent is organized and represented at the meeting they can, of course, control it. That goes without saying.

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. But on the other hand, if the 27 per cent is organized, and the 73 per cent is unorganized, and the proxies are sent into a friendly source, can not the 27 per cent control the election of the board of directors?

Mr. BUCKINGHAM. Oh, if the proxies are sent in in a friendly way, there is no question but what a friendly election will be had.

Mr. SANDERS. Who is the president of your corporation?

Mr. BUCKINGHAM. Mr. R. J. Dunham, of Chicago.

Mr. SANDERS. Has he any connection with the packers?

Mr. BUCKINGHAM. Mr. Dunham is connected with Mr. Armour personally.

Mr. SANDERS. So that the president of your corporation is connected with Mr. Armour?

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. Have you a list of your board of directors?

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. Would you mind reading them and let us discuss them as we go along, one by one, and see if they are?

Mr. BUCKINGHAM. Mr. Dunham is the president. Mr. Lee W. Spratlen is a director.

Mr. SANDERS. Where does he live?

Mr. BUCKINGHAM. Mr. Spratlen for a great many years lived in Omaha as an employee of the Burlington road, and during that time he was a director of the Stock Yards Co. Some four or five years ago—I do not remember the exact date—by reason of these many railroad changes that are taking place, Mr. Spratlen's office was

moved to Chicago, and he is now in the Burlington general office at Chicago.

Mr. SANDERS. How many shares of stock does he own?

Mr. BUCKINGHAM. Offhand I can not say; this list will give it to you. Mr. Spratlen, when I went with the Stock Yards Co., he and his family owned, I think, \$40,000; or, in other words, 400 shares.

Mr. SANDERS. Has he any connection, directly or indirectly, with the packers?

Mr. BUCKINGHAM. Not that I know of.

Mr. SANDERS. Now, who is the next man?

The CHAIRMAN. You did not ask him about the president.

Mr. SANDERS. He stated that the president is an Armour man.

Mr. BUCKINGHAM. I stated that, Mr. Chairman. John D. Creighton, of Omaha. Mr. Creighton has been a resident of Omaha for a great many years. The Creighton family is one of the oldest in Omaha. He has been a director I do not know how long, but ever since I have been connected with the yards. He is not, in any way that I know of, connected with any packing company or packer.

Mr. PARKER of New Jersey. What is his business?

Mr. BUCKINGHAM. He is a very wealthy man; he is a horse fancier, a great horse man.

Mr. PARKER of New Jersey. No particular business?

Mr. BUCKINGHAM. Loaning money, I think.

Mr. SANDERS. Does he own stock in the Armour Co.?

Mr. BUCKINGHAM. I can not say of my own knowledge, but I am satisfied, personally, that he does not.

Mr. SANDERS. That he does not?

Mr. BUCKINGHAM. I feel safe in saying that.

Mr. SANDERS. Does he own stock, so far as you know, in any of the packing companies?

Mr. BUCKINGHAM. I think not. His line of business does not run that way. He would rather go to a horse race.

Mr. SANDERS. Let us take up the next director and see who he is.

Mr. BUCKINGHAM. Well, myself—I am the next man on the list.

Mr. SANDERS. What is your business outside of the stock yards?

Mr. BUCKINGHAM. I am vice president and general manager of the Stock Yards Co. I came to that company about 11 years ago. Prior to that time I was with the Union Pacific Railroad Co. for some 37 years. They transferred me to Salt Lake as general superintendent. I did not like it out there; wanted to get back to Omaha, and I came back and took this position as manager.

Mr. SANDERS. You have no interest, direct or indirect, with the packers?

Mr. BUCKINGHAM. None whatever.

Mr. SANDERS. And no stock in any of the companies?

Mr. BUCKINGHAM. None whatever.

The next on the list is George B. Robbins, who is connected with Armour & Co.

Mr. SANDERS. George B. Robbins?

Mr. BUCKINGHAM. Yes; of Chicago.

Mr. SANDERS. In what way is he connected with Armour?

Mr. BUCKINGHAM. He is a vice president of Armour & Co.

Mr. SANDERS. Now, the next one.

Mr. BUCKINGHAM. W. Farnam Smith, of Omaha.

Mr. SANDERS. The stockholdings of each of these gentlemen will appear in this list?

Mr. BUCKINGHAM. Yes; it is all on that list.

Mr. SANDERS. Who is the next man after Mr. Robbins?

Mr. BUCKINGHAM. W. Farnam Smith, of Omaha.

Mr. SANDERS. What is his business?

Mr. BUCKINGHAM. Mr. Smith is a real estate man and his people have been connected with the stockyards company from the time it was originally organized. Most of them, I believe, now live in Maine. They formerly lived in Omaha. Mr. Smith represents a good many of the eastern, and particularly, the Massachusetts stockholders, or the New England stockholders. I will say the New England stockholders and make that a little broader.

Mr. SANDERS. Has he any connection that you know of, direct or indirect, with any of the packers?

Mr. BUCKINGHAM. To the best of my knowledge and belief he has no connection whatever.

Mr. SANDERS. Does he own any packing company stock?

Mr. BUCKINGHAM. I think not. Of course, when you ask me that question, you know, I am almost positive in saying so, but I can not say that positively; but I think not.

Mr. SANDERS. Now, the next one.

Mr. BUCKINGHAM. R. C. Howe. Mr. Howe is the manager of Armour & Co. at Omaha. He is the local manager.

Mr. SANDERS. R. C. Howe?

Mr. BUCKINGHAM. Yes; so you should consider Mr. Howe as an Armour man.

Mr. SANDERS. Now, the next one.

Mr. BUCKINGHAM. Mr. Edward P. Peck, of Omaha. Mr. Peck has lived in Omaha about 60 years. He is in the grain business and his family have more or less been interested in the stockyards for a great many years in a small way.

Mr. SANDERS. What is his connection in any way, if any, with any packers?

Mr. BUCKINGHAM. None whatever. May I qualify that by saying that Mr. Peck is in the grain business. He is the president of the Omaha Elevator Co.

Mr. SANDERS. Is that an Armour concern?

Mr. BUCKINGHAM. They are doing a big grain business. They have a large elevator located at Council Bluffs and have a number of elevators scattered throughout the country on the railroads.

Mr. SANDERS. Is Mr. Armour interested in that elevator?

Mr. BUCKINGHAM. No, sir; not so far as I know. Mr. Peck is not in any way, directly or indirectly, interested in any packing company.

Mr. SANDERS. Is he interested, directly or indirectly, with any of the matters in which Mr. Armour is interested?

Mr. BUCKINGHAM. I think not. His grain company might sell Mr. Armour some grain or something of that kind, but that would be the extent of it.

Mr. SANDERS. Now, the next one.

Mr. BUCKINGHAM (continuing). I do not know that they even do that.

Mr. SANDERS. Now, the next man on the list.

Mr. BUCKINGHAM. Frank T. Ransom. Mr. Ransom has lived in Nebraska and in Omaha for probably 35 years and has been connected with the stockyards company for a great many years as its attorney, and owns quite a little bit of the stock, which I happen to know he paid for at the market price; and several years ago, on his retirement from the position of general attorney, there was a vacancy on the board, and Mr. Ransom was elected to fill that vacancy. Really, I think it was rather to honor him a little bit.

Mr. SANDERS. Has he any connection that you know of with the Armours?

Mr. BUCKINGHAM. I am safe in saying he has none whatever, neither with Mr. Armour, nor the packing company, nor any packing company.

Mr. SANDERS. Who is the next man?

Mr. BUCKINGHAM. I have given you the entire list.

Mr. SANDERS. Now, what is the total membership?

Mr. BUCKINGHAM. Nine.

Mr. SANDERS. Of the nine men you have named, three of them you have named as having Armour connections.

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. Therefore, the 27 per cent of the packing-house stock ownership is represented by 33½ per cent on the board?

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. Have you a copy, or can you furnish a copy of the minutes of your last stockholders' meeting?

Mr. BUCKINGHAM. I have not it with me. I can furnish it.

Mr. SANDERS. And will that stockholders' meeting show who were present in person to vote, and who were present by proxy?

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. Will you furnish that in connection with your testimony?

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. Can you state what proportion of the capital stock is represented in person, as a rule, at your stockholders' meetings?

Mr. BUCKINGHAM. Not a very large proportion. It could not be, of necessity, when you take into consideration the location of so many of the stockholders.

Mr. SANDERS. Therefore, the overwhelming proportion of the stock is represented at your stockholders' meetings by proxies; is not that true, Mr. Buckingham?

Mr. BUCKINGHAM. Very largely.

Mr. SANDERS. Now, we will come down to the specific Armour stock. Is it represented by proxy?

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. Who holds that proxy at the meetings?

Mr. BUCKINGHAM. The proxies that are sent out are, as a rule, made out in the name of Mr. Dunham and myself, as vice president, and Mr. J. C. Sharp, our secretary.

Mr. SANDERS. The three of you?

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. And I am asked, for instance, as a stockholder to send a proxy to you three gentlemen to vote for me?

Mr. BUCKINGHAM. There is nothing compulsory about that.

Mr. SANDERS. I understand.

Mr. BUCKINGHAM. They can make their proxy to whomever they desire.

Mr. SANDERS. I understand that thoroughly; but I am asked as a stockholder to send the proxy to Mr. Dunham and yourself.

Mr. BUCKINGHAM. You are asked to send a proxy, and a proxy is inclosed in the envelope, and I am free to say that it reads—

Mr. SANDERS (interposing). I know how it reads. I am asked to send a proxy and inclosed in the letter is a proxy with your names on it.

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. And, as a rule, that is signed by the stockholder and sent to you three gentlemen, and you three gentlemen are really the stockholders' meeting.

Mr. BUCKINGHAM. We represent a good proportion.

Mr. SANDERS. Let us get down to the facts. You represent over 50 per cent at each meeting.

Mr. BUCKINGHAM. I would not say that; no. I would rather let the figures speak for themselves.

Mr. SANDERS. I think the figures will show that you represent over 50 per cent.

Mr. BUCKINGHAM. I will be very glad to furnish those figures.

Mr. SANDERS. You will furnish that in connection with your hearing?

Mr. BUCKINGHAM. Yes. The reason I say that is because it will be very hard with a list of stockholders scattered all over the United States for any great number of them to be present. Another thing, you take in the State of Nebraska alone, we have got 161 men and 180 women stockholders. Those people hold 5, or 10, or 20, or 30 or 50 shares. They are not going to waste their time to go to any stockholders' meeting of a stock yards company.

Mr. SANDERS. Of course not, and therefore it logically follows that the owner of 27 per cent under those conditions can control or elect whoever it wants to.

Mr. BUCKINGHAM. The majority of the stock represented naturally controls, whoever it is.

Mr. SANDERS. And a majority of the stock is voted in your corporation, as it is voted in practically all big corporations, on proxies sent out with the suggestion as to who shall handle the proxy, who is named in the letter. There is nothing wrong about it, Mr. Buckingham, but that is the process.

Mr. BUCKINGHAM. Absolutely nothing. I have a good many personal friends in Omaha, and in a great many cases they would scratch out the other names and simply make me their representative, and in meeting with those people from time to time they would ask me about it, and I would say, "No, let it go just as it is, because there is no fight on in this board that I know anything about. Our sole object is to build up a live-stock market."

Mr. SANDERS. Now we will get down to the sale of stock in your yards. All the stock sales in your yards are done through commission men, are they not?

Mr. BUCKINGHAM. I really can not tell you much about that. There is one, or perhaps two, broker firms in Omaha that naturally sell or handle a good deal of the stock. I say they are broker firms,

they are firms that neither the stockyards, nor the packers, nor Mr. Armour, nor anybody else connected with out institution, so far as I know, are connected with.

Mr. PARKER of New Jersey. Are you talking of capital stock or live stock?

Mr. BUCKINGHAM. I understood this has been all about shares of stock.

Mr. SANDERS. Oh, no; I am now talking about the selling of live stock.

Mr. BUCKINGHAM. Then I wish you would strike that out and let us start fresh.

Mr. SANDERS. I say that in the selling of live stock in your yards, it is done through commission men.

Mr. BUCKINGHAM. Yes; very largely through commission men and traders. Anybody can buy and anybody can sell there that wants to. It is an absolutely open market.

Mr. SANDERS. Now, let me get that clearly in my mind. Do you mean to say that any one whomsoever can go in your yard and buy and sell stock without the intervention of a commission man?

Mr. BUCKINGHAM. I am speaking now for the Stock Yards Co. As far as the Stock Yards Co. is concerned, we do not care and have no desire to control who shall buy or who shall sell. It is what we call an open market.

Mr. SANDERS. Then I again ask you the question: Can anyone come on your market; as a matter of fact, in your yards, and sell and buy stock, or is it not confined to the commission men?

Mr. BUCKINGHAM. Not entirely. You can go there and sell stock, if you want to.

Mr. SANDERS. I can?

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. Under what conditions?

Mr. BUCKINGHAM. Simply ship your stock in there consigned to yourself or to whomever you please. It is put in a pen, and it is delivered to you, and it is up to you to do what you please with it. You can give it away or do whatever you please with it, if you want to. It is immaterial to us.

Mr. SANDERS. Do I not have to make arrangements for pen space before I can ship there?

Mr. BUCKINGHAM. No; we will furnish the pen space.

Mr. SANDERS. I understood you to say a minute ago that when these farmers' union people came there you had to give them temporary space.

Mr. BUCKINGHAM. I will have to go into a rather elaborate explanation of that. We have a great many pens that are not assigned to anybody. They are pens that the Stock Yards Co. uses for yarding stock that is not consigned to a commission firm. Of course, there are a great many of them, and they do business there, and each man wants an assignment of pens, and we give them such assignments just as far as our condition will permit, but we always retain a certain number of pens unassigned in which to yard stock, for instance, stock that comes along to be fed in transit. We have got to have pens to take care of that.

Mr. SANDERS. I understand that.

Mr. BUCKINGHAM. And after the stock goes across the scales, we have got to yard it again, and we can not use all the commission men's pens for that purpose. We do use some, but we have got to have other pens, because the commission man would not be able to take care of his business properly if we yarded back and consumed his pens.

Mr. SANDERS. Well, I will get at my proposition in another way. What percentage of the stock that goes through your yards is sold by commission men?

Mr. BUCKINGHAM. Oh, by far the greatest portion.

Mr. SANDERS. Does it not approximate 100 per cent?

Mr. BUCKINGHAM. No; I think not. It will approximate, probably, 85 per cent.

Mr. SANDERS. Now, who handles the other 15 per cent?

Mr. BUCKINGHAM. Well, they will be the traders, speculators, and other types of men.

Mr. SANDERS. Traders and speculators?

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. Are they not commission men, in a way?

Mr. BUCKINGHAM. No.

Mr. SANDERS. They do not handle stuff on commission?

Mr. BUCKINGHAM. The difference between a commission man and a trader or speculator, is that the commission man sells on commission.

Mr. SANDERS. I understand.

Mr. BUCKINGHAM. I understand—

Mr. SANDERS (interposing). Buys for his own use?

Mr. BUCKINGHAM. Buys for himself.

Mr. SANDERS. Well, I will put it in another way, then, because I am going to get at it.

Mr. BUCKINGHAM. Please understand that I am not trying to mystify you, but I am trying to make it clear to you.

Mr. SANDERS. You can very easily mystify me, but I am going to try to get it clearly. What percentage of stock shipped to your yards is sold in the yards by the owner thereof?

Mr. BUCKINGHAM. Not very much; a very small proportion. The greatest portion is sold by and through the commission men; that is, the stock coming in first hand. A great many owners insist on finally determining the sale; whether or not the commission man shall accept the offer, you understand.

Mr. SANDERS. I understand. They accompany the commission man.

Mr. BUCKINGHAM. Yes.

Mr. SANDERS. Now, Mr. Buckingham, is it not a fact that practically every head of stock that goes through your yard is bought either by a commission man, a speculator, or a trader; I mean, sold and bought by a commission man, speculator or trader, and that the individual man does not go upon your yards.

Mr. BUCKINGHAM. Well, there are quite a number of individual men who buy their own stock; quite a good many. I think Mr. Burke who appeared here, as I understand it, buys his own stock. I do not think he buys through any one.

Mr. SANDERS. What is the requirement for a commission man to do business in your yards?

Mr. BUCKINGHAM. The only requirement, outside of an office, and that is for his convenience and not ours, is that we insist on his giving the Stock Yards Co. a bond, and that is because the Stock Yards Co. is responsible for the freight charges of the railroad company. All of the commission firms doing business at South Omaha furnish a bond for \$10,000. Now, in the case of the larger firms receiving stock from a long distance west, like stock from Idaho, or Utah, or Montana, or Wyoming, in the fall particularly, coming in train-load lots, as soon as the indebtedness of that commission firm becomes greater than \$10,000, the yard company goes and secures from them a check so as to keep them, you might say, in the clear all the time. We make a weekly settlement of freight charges, hay and grain, and yardage, and that is done every Friday. We do that in the latter part of the week, because everybody is so busy during the first part of the week handling live stock that the settlements are put over until the latter part of the week when the business is light.

Mr. DEWALT. Governor, will you let me interrupt you a moment?

Mr. SANDERS. I have just one thought, and if you will let me finish that then I will turn the witness over.

As a matter of fact, these commission men, through bonding or whatever process you might call it, are practically licensed to do business in your yards, without which requirement they can not do business; is that true?

Mr. BUCKINGHAM. Any commission firm that would not give us the bond—and I say we have that bond for protection on freight charges more than anything else, because that is the biggest item, naturally, in the weekly settlement, because our hay charges and yardage charges for the week are comparatively small as compared with the railroad freight charges—anybody can do business there who is not willing to give us that bond by simply coming in every day and paying their freight charges and paying for their hay and grain. There is nothing to keep them from doing that; in fact, we have men dealing in that way.

Mr. SANDERS. Provided they can pay cash every day all the time?

Mr. BUCKINGHAM. They would come in once a day and make the settlement.

Mr. SANDERS. Now, as to your rendering plant—

Mr. BUCKINGHAM (interposing). There is a rendering plant with which the Stock Yards Co. has nothing whatever to do. It is located several miles away from the yards, and the dead animals after the transaction between the commission man, or whoever is selling the dead animals to the rendering company—they are loaded in a car, and the yard company switches them out to the railroad company the same as any other freight, for which they are paid the regular switching charge, and these dead animals go down to this rendering company and are finally disposed of there.

Mr. SANDERS. Is there no connection whatsoever between the yards and the rendering plant?

Mr. BUCKINGHAM. Absolutely none.

Mr. SANDERS. No mutuality of ownership or anything of that sort?

Mr. BUCKINGHAM. No; neither direct nor indirect. The only thing is that we are anxious to get rid of those dead animals as fast as we can, particularly in the summer time.

Mr. SANDERS. Is that the only buyer of dead animals in the yards?

Mr. BUCKINGHAM. As far as I know, yes. There is not so much of it, you know, as to make it—there is not a very big volume of that business.

Mr. SANDERS. But when an animal does die and reaches your yard in that condition the rendering plant is the only purchaser therefor, so far as you know?

Mr. BUCKINGHAM. Yes; so far as I know. It is a matter we do not interest ourselves in at all, except to get them off the yards.

Mr. SANDERS. Is there anything compulsory, either direct or indirect, about selling to this plant?

Mr. BUCKINGHAM. Not that I know of. That is a matter, as I told you, between the commission man who represents the owner, or the owner himself, and the rendering people. In the 11 years I have been there, I think I have seen this rendering plant once. I happened to go by there. I do not even know the agent of the rendering plant at the yard.

Mr. SANDERS. Now, Mr. Dewalt, if you want to ask any questions.

Mr. DEWALT. The question is right in line with your examination, and therefore I wanted you to ask it. You have stated you required a bond of \$10,000 from these commission merchants.

Mr. BUCKINGHAM. Yes.

Mr. DEWALT. I may be wrong but I understood Mr. Gustafson to say that he had been required for the farmers' union to file a bond of \$5,000. If my recollection is correct, he also stated he did not know what the bond was for, and he rather inferred, or perhaps wanted us to infer, that it was a discrimination against the farmers' union.

Mr. BUCKINGHAM. Well, if he has put up only a bond for \$5,000—

Mr. DEWALT (interposing). He said he put up the cash.

Mr. BUCKINGHAM. We have never—

Mr. SWEET (interposing). That was a bond to Armour.

Mr. BUCKINGHAM. We have never seen the color of his cash.

Mr. SWEET. The \$5,000 bond was required by Armour, as I recollect.

Mr. BUCKINGHAM. I was just going to say in answer to your question that if he only put up a bond for \$5,000, and all these commission men put up a bond for \$10,000, he has been discriminated against favorably. As a matter of fact, he has put up the same bond exactly. His organization is not a member of the Exchange, as I understood it, but he puts up, or his organization, exactly the same bond that we require of the commission people or anybody doing business, to whom we are going to give credit for a reasonable time; and it is not simply the Stock Yards Co's. credit, but it is the credit of the railroad companies. They look to us and we are responsible to them for the freight charges.

Mr. DEWALT. In other words, you assert and say that you can maintain that there is no discrimination whatever against him, or against his union?

Mr. BUCKINGHAM. Absolutely none.

Mr. DEWALT. He may have said that the bond was demanded by Armour.

Br. BUCKINGHAM. I may state further that his manager, Mr. Watts, who handles his business at Omaha, will make the same statement.

Mr. SWEET. Mr. Buckingham, I believe you stated in your testimony that you have about 34 miles of side track.

Mr. BUCKINGHAM. Thirty-four miles of track; yes, sir.

Mr. SWEET. Do these tracks connect with the packing concerns?

Mr. BUCKINGHAM. These tracks are in and about the packing houses, the loading docks in and about the lumber yard, the coal companies in and about the stock yards where we handle our hay and elevator for grain, and to the different chutes, unloading chutes, where we handle live stock, and the transfer tracks where transfers of freight are made as between these connecting lines; that is, in the usual way of handling switching.

Mr. SWEET. Do these tracks connect with any of the packing plants?

Mr. BUCKINGHAM. We must, of necessity, have our tracks into the loading docks and into the places where the packers unload their coal and their supplies with which they do business.

Mr. SWEET. As I understood you, you have eight independent packing plants in Omaha.

Mr. BUCKINGHAM. Yes.

Mr. SWEET. And by that I mean eight plants outside of what are known as the five big packers?

Mr. BUCKINGHAM. Yes.

Mr. SWEET. Do you furnish the same facilities to these eight packing plants that you do to the large packing plants?

Mr. BUCKINGHAM. Most of those packing plants are really not located on our tracks; but in the general business, whether it is switching, or whether it is in the handling of the live stock, those eight plants are treated exactly the same by us as the other plants.

Mr. SWEET. And there is no discrimination whatever?

Mr. BUCKINGHAM. Absolutely none. All we want is more business.

Mr. SWEET. Now, the rate that you charge on interstate work is fixed by the Interstate Commerce Commission; is that true?

Mr. BUCKINGHAM. Yes.

Mr. SWEET. And the rates on the intrastate business is fixed by the railroad commissioners of Nebraska?

Mr. BUCKINGHAM. Yes.

Mr. SWEET. And you follow those rates absolutely?

Mr. BUCKINGHAM. Absolutely.

Mr. SWEET. How much hay do you handle there in a year, approximately.

Mr. BUCKINGHAM. Mr. Colver gave those figures there for 1914 and 1915. I think one year it was 20,000 tons and another year 23,000 tons. Probably the years 1917 and 1918 would exceed that. It would probably be 26,000 or 27,000 tons.

Mr. SWEET. What is your profit on the hay that you handle there in a year?

Mr. BUCKINGHAM. It varies according to the cost, naturally. We have a fixed charge for the hay, so far as our sales are concerned.

Mr. SWEET. Is that charge fixed regardless of the price of hay?

Mr. BUCKINGHAM. As a rule, we fix the price for a reasonable length of time, and we do not change it unless the price of hay does change materially. For example, the price for hay was \$20 a ton up to about a year ago, or I will say two years ago or something like that. Then we found our hay costing us more than \$20 a ton and the price was increased from time to time as the price of hay went up.

Mr. SWEET. Is the price you charge for hay dependent wholly upon the price of hay in Omaha?

Mr. BUCKINGHAM. In Omaha, or in that vicinity. We have got to buy quite a bit of our hay on the Kansas City market, which is the biggest hay market in the world.

Mr. SWEET. You use considerable corn, do you not?

Mr. BUCKINGHAM. Yes.

Mr. SWEET. Have you a fixed price for that which you charge?

Mr. BUCKINGHAM. Yes.

Mr. SWEET. What have you been charging recently for corn?

Mr. BUCKINGHAM. For probably 20 years we charged \$1 a bushel. That was at a time when corn was costing anywhere from 10 to 15 cents, when we used to use it for fuel, up to 50 or 60 or 70 cents. Later we had to increase it. In the first place, we sold corn for about eight months at a distinct loss, on the theory that we had made fairly good revenues out of corn for a great many years, and at times when corn was really low in price, hoping that the price would go back again; but instead of going back, it went higher and higher, until we had finally to increase our charges to correspond.

The CHAIRMAN. To how much?

Mr. BUCKINGHAM. We went up at one time as high, I think, as \$2.50 a bushel, and then we reduced it to \$2.25, and about 60 days ago we reduced it to \$2. We were paying at that time about \$1.50 or \$1.60. There has been no marked decrease since. It has fluctuated from \$1.40 to \$1.60.

Mr. SWEET. You buy considerable oats, do you not?

Mr. BUCKINGHAM. Not such large quantities of oats. We buy some oats, but more for the use of our own animals than anything else.

Mr. SWEET. Do you have a fixed price for oats?

Mr. BUCKINGHAM. Yes, and I can not tell you what it is, either. The item is so small that we do not pay much attention to it, and I can not give you the price offhand.

Mr. SWEET. You have Government inspectors in the yards there, have you not?

Mr. BUCKINGHAM. Yes; I gave you the number in my statement.

Mr. SWEET. Are any of the animals condemned right there in your yards for any of the diseases by the Government inspectors?

Mr. BUCKINGHAM. Yes.

Mr. SWEET. What is done with those animals after inspection and condemnation?

Mr. BUCKINGHAM. In many cases the animals go to the packing house as suspects, the final inspection to be made by the Government inspectors there, to determine whether they are fit for food or whether they shall go to tankage.

Mr. SWEET. Do you know whether the packers are in any way connected with the rendering plant that you have testified about?

Mr. BUCKINGHAM. No; I do not know anything about that.

Mr. SWEET. But there is simply one rendering plant?

Mr. BUCKINGHAM. There is one rendering plant at Omaha, and I think only one.

Mr. SWEET. So there is practically a monopoly then of all dead animals by this rendering plant?

Mr. BUCKINGHAM. Well, I presume you could call it a monopoly. There is not business enough for more than one, I imagine, and hardly enough for that one; but whatever it is, I think one plant handles it.

Mr. SWEET. And there is no real market price for the animals that go to the rendering plant.

Mr. BUCKINGHAM. I can not tell you about that. The matter of price, and the whole matter, is handled between the commission men, or the men who sell these dead animals, and the rendering company. As I told the gentleman over here [indicating] the Stock Yards Co. has really nothing to do with it except we are awfully anxious to have them get rid of those dead animals as soon as possible. We have not anything more to do with it than you have, except that they are dragged out of the cars and stay on our platforms until they are disposed of and taken away by the proper party, who is not a stockyard employee in any way.

Mr. DECKER. I have just one question. I do not know whether you stated or not the dividends you declared?

Mr. BUCKINGHAM. Eight per cent.

Mr. DECKER. What is the salary of your president?

Mr. BUCKINGHAM. \$5,000.

Mr. DECKER. The active business of the concern is conducted by yourself?

Mr. BUCKINGHAM. Yes, sir.

Mr. DECKER. And what is your your salary?

Mr. BUCKINGHAM. Ten thousand dollars.

Mr. DILLON. Do these commission men obtain a license.

Mr. BUCKINGHAM. The commission men under this new order have to be licensed by the Bureau of Markets, I believe, exactly the same as the Stock Yards Co.

Mr. DILLON. But does the Stock Yards Co. give a license to the commission men?

Mr. BUCKINGHAM. No, sir; we do not give a license to any one.

Mr. DILLON. Nobody has a license?

Mr. BUCKINGHAM. No.

Mr. DILLON. Does the commission man pay you anything for the right to operate in your yards?

Mr. BUCKINGHAM. The commission man, depending on the volume of his business—the small firm will come in and rent an office from us for which they will pay us from \$20 to \$25 per month, we furnishing the heat and janitor service, water and so forth. Now, then, other firms, larger firms, may have two such offices, or even a still larger firm may have as many as three such offices for which they pay us, we will say, from \$65 to \$75 a month rent. Now, then, we furnish the pens in which the animals are handled, and in which they are fed and watered and sold, and there is no charge whatever to the commission man for rent of anything of that sort.

Mr. DILLON. Is there a charge against the sale for the use of the yards?

Mr. BUCKINGHAM. That is what is called the yardage charge; yes, sir; when an animal is sold the yardage is collected by the stock yards company, a similar charge all over the United States, at all yards, charges are pretty much alike.

Mr. DILLON. If I understood you correctly you stated in answer to Judge Sanders, that an individual farmer who might live out in the State could ship into your yard and pay no commission for his sales.

Mr. BUCKINGHAM. Yes, sir; he can sell right in the yard if he wants to.

Mr. DILLON. And he can come down to your stock yards and buy with freedom without paying anything for the privilege of buying?

Mr. BUCKINGHAM. Yes, sir.

Mr. DILLON. A person coming with his own stock to sell, or going to buy, what position is he put in as to buying. Will these commission men buy from him?

Mr. BUCKINGHAM. Well, yes—you do not mean commission men, do you?

Mr. DILLON. Yes; I want to know if the commission men who stay there on the market will buy from me, a farmer, if I send my stock there and go there personally.

Mr. BUCKINGHAM. I think they will if you have got stock that is attractive. Anybody who wants it will buy it, and they do not care who they buy it from.

Mr. DILLON. Suppose I go in there as a buyer myself, will these commission men sell to me?

Mr. BUCKINGHAM. Yes, sir; if you have got the money.

Mr. DILLON. One other question. What do the commission men get for selling?

Mr. BUCKINGHAM. I would rather you would ask that question of a commission man, and no doubt there will be some here. I am not familiar with it. The only reason I am not answering your inquiry is because I am not familiar with their charges. They vary so, according to different conditions.

Mr. DILLON. And likewise what he may receive for selling.

Mr. BUCKINGHAM. The same answer, please. You can get the information from the commission man and he will give it to you correctly. Mine would be a surmise or guess.

Mr. DILLON. How many instances can you recall where a farmer, who probably does not make but one shipment a year, has sold his own stock upon that market?

Mr. BUCKINGHAM. I have no particular case in mind, but that is something that could happen every day, and I, personally, not know about it.

Mr. DILLON. Now, in that connection, I exclude the speculator and I exclude the trader, and I exclude the commission man.

Mr. BUCKINGHAM. Yes.

Mr. DILLON. Can you name a single instance and give the name of the farmer who has made one shipment a year and who has sold his own stock on that market?

Mr. BUCKINGHAM. No; but as I have told you, they might occur and could occur every day without my knowing about it. I do not know about the details of any sales.

Mr. DILLON. Now going back to the board of directors, you said that the packers had 27 per cent of the stock.

Mr. BUCKINGHAM. No; I said that individual packers—not packing companies, but individual packers and members of their families had that amount. I do not want to be in the position of saying that a packer or packing company has that.

Mr. DILLON. In that statement about the 27 per cent of stock, did you include the three directors whom you have mentioned as being part owners of that percentage?

Mr. BUCKINGHAM. I think the statement will show that, and if it does not, the individual statement which I have furnished will show exactly what they own. I did not make up those statements myself. Our secretary made them up for me.

Mr. DILLON. You could not state offhand the percentage of the holdings of the president of your company in this corporation?

Mr. BUCKINGHAM. I think Mr. Dunham's holding is comparatively small.

Mr. DILLON. Can you give Mr. Robbins' holdings?

Mr. BUCKINGHAM. I can not say. I remember of buying for Mr. Robbins through one of these brokers at Omaha I spoke about, it seems to me, 20 shares, about a year and a half ago, for which he paid the market price, whatever it was at that time.

Mr. DILLON. Can you give me Mr. Howe's holdings?

Mr. BUCKINGHAM. No; but this statement will show Mr. Howe's holdings.

Mr. DILLON. Can you state offhand as to how the Armour holders send their proxies to the meeting of the directors?

Mr. BUCKINGHAM. I think they send them in to the secretary, Mr. J. C. Sharp. All proxies, as a rule, from whatever source, that are mailed to Omaha, go to him.

Mr. DILLON. All the directors have acted with unanimity, have they?

Mr. BUCKINGHAM. There has been no——

Mr. DILLON (interposing). I mean at the stockholders' meetings?

Mr. BUCKINGHAM. There has been no quarrel in the stockholders' meeting or the directors' meeting of this company for many years. As I said a while ago, all we are working for is to build up a live-stock market and we want more business.

Mr. DILLON. And the Armour interests work harmoniously with you people?

Mr. BUCKINGHAM. Yes, sir; as do all the packing interests at South Omaha, both large and small.

Mr. DILLON. I have no further questions.

Mr. STEPHENS. Mr. Buckingham, I was very much interested in an observation you made some time ago in regard to the competition for half-fat cattle.

Mr. BUCKINGHAM. Yes.

Mr. STEPHENS. As I understand it, the packers bid for that half-fat stuff against the farmers?

Mr. BUCKINGHAM. Mr. Stephens, those things are all regulated by the market conditions. When there is an extraordinary demand for beef and the supply, you might say, is limited, then the packer is maybe anxious for what we call part-fat stuff. It is just a question of whether it ought to go to the killer or whether it will go back to the country and be fed for, say, three or four months with corn,

and then put in better shape for the market; that is, make more beef and better quality.

Mr. STEPHENS. This gives the range man a fairly good market for his stuff?

Mr. BUCKINGHAM. Yes.

Mr. STEPHENS. The competition of the packer with the farmer who wants to feed the stuff makes a fairly good market for the range man?

Mr. BUCKINGHAM. Yes.

Mr. STEPHENS. Is it a fact that this half-fat stuff often sells for as high a price as the fat stuff?

Mr. BUCKINGHAM. Well; this part-fat stuff that we speak about is largely grass-fed stuff.

Mr. STEPHENS. Yes; I have observed a good many times in my cattle-feeding experience that the feeder often feeds out a car of stuff and sends it in and gets about the same price for it that he paid for it per hundred; in other words, that the feeders often sell for as high a price as the fat stuff. That is often true.

Mr. BUCKINGHAM. It depends entirely on the quality and on the conditions of the market at the time.

Mr. STEPHENS. Then, the opposite would be true, I presume, that there being no competition for the fat stuff, except from the packer, it would be very natural for the price of fat stuff to be lower than the price for good feeders, quite often.

Mr. BUCKINGHAM. Mr. Stephens, that might happen, but that has not been my observation for a long time, at least.

Mr. STEPHENS. Well, some 25 years, or perhaps 20 years ago, there was a spread of \$3 or \$4 a hundred. In the days before you went into the stockyards business we used to bring our fat stuff over your line out there, and we would get about \$3 or \$3.50 a hundred more for our fat stuff than we paid for our feeders, but as that competition in the yards gradually disappeared, we found that the spread between the fat and the lean was very slight.

Mr. BUCKINGHAM. I think you will find, Mr. Stephens, that that is due more to the building up of the cattle-feeding industry. You remember the days, I presume, when there was not anything raised west—I will not say of Fremont, but west of Columbus, which is 90 miles west of Omaha. I can remember the day when we had hardly anything there, and you also remember how sparsely settled Iowa was, particularly western Iowa. Those conditions now have all changed. That country has built up until to-day eastern Nebraska and Iowa, especially western Iowa, as far as the Omaha market is concerned, has become wonderful cattle-feeding territory.

Mr. STEPHENS. That ought not to reduce the price of fat cattle.

Mr. BUCKINGHAM. No; but what I am getting at is that it has increased the price, we will say, of range cattle. I can quote you a case, Mr. R. S. Van Tassle, of Cheyenne, one of the oldest live-stock men in experience in Wyoming, came down four or five years ago with quite a heavy shipment of cattle. He was offered 8.40. Mr. Van Tassle asked his commission man, "Why don't you sell them?" He said, "I think I will get 8.50." Mr. Van Tassle said, "Damn it, sell them before he gets away from you. I remember the day when I brought them in here in trainload lots and only got 3 or 4 cents a pound, and this price looks awful good to me."

Now, those were feeders.

Mr. STEPHENS. Those were feeders and not range cattle?

Mr. BUCKINGHAM. They were range cattle but we call them feeders.

Mr. STEPHENS. Yes.

Mr. BUCKINGHAM. That is, they are cattle that would be put on the market and go out into one of these feed lots in the vicinity of Omaha, within two or three hundred miles and be fattened up with corn.

Mr. STEPHENS. The situation has completely reversed itself with regard to feeders and range cattle in the last twenty-five years. The range man got very low prices twenty-five years ago.

Mr. BUCKINGHAM. Yes.

Mr. STEPHENS. And the feeder got a high price, whereas, to-day, the reverse is true—I mean, comparatively speaking.

Mr. BUCKINGHAM. I think it is true, possibly, that there is not the same relative difference.

Mr. STEPHENS. No.

Mr. BUCKINGHAM. Still the seller of fat cattle is getting a very good price to-day.

Mr. STEPHENS. Yes, right at this time.

Mr. BUCKINGHAM. I think Mr. Burke in his statement the other day said that the price he was receiving for the last two years had been very good.

Mr. SWEET. If I may suggest your position is that the demand for feeders has increased in recent years?

Mr. BUCKINGHAM. As the farming communities have built up, and as there is more grain raised, they want to dispose of that grain by feeding cattle.

Mr. STEPHENS. It is the competition of the feeders and packers that makes high prices for range stuff and the lack of competition for fat stuff that makes low prices for fat stuff compared with what it costs. In other words, it makes it almost impossible for a feeder to buy range stuff any more and put his crop into it, and get a profit out of it when he brings it back to the market.

Mr. BUCKINGHAM. Mr. Stephens, I do not think you will find that is the case in recent years.

Mr. STEPHENS. Oh, I am not referring to war prices.

Mr. PARKER of New Jersey. May I interrupt to ask one question. It is all sold by the pound?

Mr. BUCKINGHAM. Everything is sold by the pound.

Mr. PARKER, of New Jersey. So whatever is put on the cattle by feeding, the grain is paid for?

Mr. STEPHENS. No.

Mr. SANDERS. No; that ought to be true but it is not.

Mr. PARKER, of New Jersey. Why not?

Mr. SANDERS. Because they won't pay for the fat cattle what they will for the lean.

Mr. STEPHENS. If you buy a thousand-pound steer for ten cents a pound and put him in your feed lot and put 300 pounds on him, and feed him \$75.00 worth of corn, and then sell him back for ten cents a pound you will be in the red.

Mr. SANDERS. Of course.

Mr. STEPHENS. You can not do that, but that is the way we often have to do. Now, Mr. Buckingham, just one other observation. You are familiar with the State regulations of the different stockyards in different States?

Mr. BUCKINGHAM. In a general way only, Mr. Stephens.

Mr. STEPHENS. Your stockyards are very satisfactorily regulated by the State laws of Nebraska and the State railroad commission, I believe?

Mr. BUCKINGHAM. We have not found any fault with the commission particularly. We certainly have to convince them we are right, or we do not get anything.

Mr. STEPHENS. I have understood that Nebraska was really the only State that had laws that required a complete report of the stockyards?

Mr. BUCKINGHAM. Yes, we make the Nebraska Commission very complete reports; and not only that, but the commission have had their entire force, engineering force and accounting force at the yards several times, and have checked us up from A to Z.

Mr. STEPHENS. So that you have to give a fairly accurate account of your business so that people can examine your reports and see what the status of the business is?

Mr. BUCKINGHAM. Yes.

Mr. STEPHENS. I think that is not true of many States; that is all I have to ask.

Mr. BUCKINGHAM. I just want to say, Mr. Stephens, since we have been talking about prices of live stock, that you will have commission men here who are much more familiar with those things than I am. I simply want to reiterate that the stockyards company has nothing to do with prices of live stock in any way, shape or form. All we do is to furnish the service, and if we were dumb, the service would go on just the same.

Mr. STEPHENS. I have understood that, Mr. Buckingham.

Mr. BUCKINGHAM. I just wanted to make that plain, because it seems that everybody misunderstands it. I had a talk with a very prominent western Senator, I met him since I have been here in Washington, and he said, "You stockyards fellows are raising Cain with us." I said, "In what way?" He said, "You are increasing our expenses." Now, he had reference to an increase in expenses that the stockyards has absolutely nothing to do with. It was something that was within the stockyards districts and therefore it was laid on the stockyards. The stockyards seemingly is the goat for everything connected with the live-stock business.

Mr. WINSLOW. Mr. Buckingham, how long have you been incorporated?

Mr. BUCKINGHAM. About 35 years.

Mr. WINSLOW. What is the paid-in capital stock?

Mr. BUCKINGHAM. That I can not answer offhand.

Mr. WINSLOW. Now, I mean.

Mr. BUCKINGHAM. Our stock as it stands to-day is \$7,496,300.

Mr. WINSLOW. What part of that represents money actually paid in?

Mr. BUCKINGHAM. I could not answer that question offhand. This stockyards started in a very small way 35 years ago as a feeding-in-transit proposition. There were no packing houses and there was

no killing done at that time. It was simply to feed the stock, coming largely from Ogallala and Pine Bluffs, which at that time was considered the end of the Texas drive, and I recollect that in the fall on the Union Pacific road, we would load, say, four or five trains of stock at Ogallala, 22 cars to the train, and run them to Council Bluffs for the first feed. Then it was decided by some of the Omaha people that they would start the stockyards at South Omaha, and that became the feeding terminal. Later on, gradually, these packing houses were built up and the yards were increased until, as I told you a while ago, we have got a pretty big market here.

Mr. WINSLOW. Have they ever issued any stock dividend?

Mr. BUCKINGHAM. I think they did in the early days, but none since I have been there.

Mr. WINSLOW. And that is 11 years?

Mr. BUCKINGHAM. Yes, and I think not for a considerable period before that.

Mr. WINSLOW. Have they paid in any new money to increase the capitalization since you have been there?

Mr. BUCKINGHAM. No, sir; the capitalization stands exactly the same as it was when I went there.

Mr. WINSLOW. What is the story of dividends for the 11 years you have been there?

Mr. BUCKINGHAM. Six per cent every year until the last 3 years, and by reason of increased volume of business, our earnings have increased so as to make them 8 per cent.

Mr. WINSLOW. What has been the increase in your assets during those 11 years?

Mr. BUCKINGHAM. Since I have been there for 10 or practically 11 years, I have put about \$2,500,000 into the plant in the way of additions and permanent improvements.

Mr. WINSLOW. Chargeable to assets or to expense account?

Mr. BUCKINGHAM. Very largely.

Mr. WINSLOW. To which?

Mr. BUCKINGHAM. I did not understand you.

Mr. WINSLOW. Have you charged all that to expense account?

Mr. BUCKINGHAM. Part of that was covered by this \$700,000 worth of bonds that were issued.

Mr. WINSLOW. Yes, but if you have put in \$2,500,000, and have only issued \$700,000 of bonds to pay for it, you must either have a debt—

Mr. BUCKINGHAM (interposing). The balance, as a matter of fact, came out of the earnings very largely.

Mr. WINSLOW. That is cash which you have spent for maintenance and improvements?

Mr. BUCKINGHAM. Yes.

Mr. WINSLOW. I am not interested in that, if you have put it into your plant. But how much actual surplus have you laid away and accounted for during that period?

Mr. BUCKINGHAM. You mean in cash?

Mr. WINSLOW. Well, according to your statement of assets and liabilities?

Mr. BUCKINGHAM. I could not very well answer your question. I have not any statistics here with which to answer the question, as a matter of fact.

Mr. WINSLOW. If your capital stock authorized and issued is \$7,500,000, you probably have some surplus account to make up your assets?

Mr. BUCKINGHAM. We figure the value of the property as approximately \$10,000,000.

Mr. WINSLOW. So you have about \$3,000,000 of surplus?

Mr. BUCKINGHAM. About \$2,500,000.

Mr. WINSLOW. Has that all been collected during the 11 years you have been there?

Mr. BUCKINGHAM. No, sir.

Mr. WINSLOW. What part of it has been added to the surplus account since you have been there?

Mr. BUCKINGHAM. I can not answer you offhand on that. I can not give you the figures from memory.

Mr. WINSLOW. Then, during the three years you have been paying 8 per cent, what have you carried to surplus account?

Mr. BUCKINGHAM. We have charged off each year about, I think, a hundred and fifty thousand dollars for depreciation, and whatever little amount there was over and above that went to surplus.

Mr. WINSLOW. But you do not know how much that is.

Mr. BUCKINGHAM. No; it would not be a very big amount.

Mr. WINSLOW. Would you be willing to file those figures which I have asked for?

Mr. BUCKINGHAM. Surely; I will be glad to.

Mr. WINSLOW. Now, will you kindly state the sources of revenue for your stockyards company.

Mr. BUCKINGHAM. I stated that, and it is in the first part of this statement. I said that the stockyards company was paid for the switching that it does by the railroad companies. We got those switching charges and whatever surplus there is out of that, after paying the expense of operation, of course, we are that much ahead. Then we have the yardage charge on animals at so much per head, and then whatever revenues we can make out of the sale of hay and grain. Then, of course, there is a comparatively small revenue out of the rental of rooms in the Exchange Building, horse barns and that sort of thing.

Mr. WINSLOW. Do you have any arrangement or fixed percentage of profit which you add to the feeding charges, or in the sale of hay and so on?

Mr. BUCKINGHAM. No; as I explained to the gentleman over here [indicating], there is a fixed charge for hay of so much a ton. When we are selling hay at \$20 a ton we may pay for part of that hay \$10, \$12, \$13 or \$14, as the prices vary from day to day and month to month, but the charge is a fixed one of \$20 a ton, and that was the case for a good many years until the war struck us and then the price of hay went up out of sight, and we had to go up with it.

Mr. WINSLOW. When you went up with it, on what basis of profits did you go up?

Mr. BUCKINGHAM. We aimed to keep in relatively the same position. We did not try to profiteer or anything of that sort. We tried to make about the same relative earnings per ton.

Mr. WINSLOW. About 40 per cent gross?

Mr. BUCKINGHAM. No; that figure that Mr. Colver stated would not be correct. When we were selling hay at \$20 a ton, I presume

our net earnings would run, after you have charged everything up to the hay that properly belonged to it, I presume our earnings would run from \$4 to \$5 a ton; maybe a little less.

Mr. WINSLOW. That would be about 33 per cent net profit?

Mr. BUCKINGHAM. Something like that.

Mr. WINSLOW. What part of your net income do you make out of the sale of feed?

Mr. BUCKINGHAM. I can not answer offhand on that, but I will be glad to work that out and give it to you correct. I would rather give it to you correctly than to make a guess.

Mr. WINSLOW. When you do that, would you be willing to make a statement of analysis showing the various items of profit and the relation of each to the total profit for each year? Say, railroad trackage so much, feed so much, and so on. You probably keep your books in that way.

Mr. BUCKINGHAM. I will work that out for you just the best I can. Now, there is a good deal of talk about the profit on hay. The trouble with the stockyards companies is that they do not probably keep their books in the manner that a scientific business man running a large business possibly would. We simply know the results in our having at the end of the year so much money to pay our dividends and take care of the depreciation and to place whatever is left in the surplus.

Mr. WINSLOW. Will you try to do that and if you can not, will you communicate to the committee the fact that you can not do it?

Mr. BUCKINGHAM. In the matter of hay and feed there are so many things that really enter into it, if you follow it down to the minute figures, that it is going to take a little time to make the calculation. For instance, there is all this overhead.

Mr. WINSLOW. If you do not do it, Mr. Buckingham, how can you tell whether any one department of your business is making or losing money?

Mr. BUCKINGHAM. That, I expect, we have got to leave largely to the management. We have our own ways of following those things up and keeping fairly well posted, and still we do not make up the figures possibly as you would.

Mr. WINSLOW. Any statement you may make according to your own methods will be acceptable.

Mr. BUCKINGHAM. For instance, when we go into the question of hay, we must take into consideration the cost of the water and the cost of cleaning, and we keep that absolutely separate. We have never charged that, you might say, against the hay. We keep our yard account so we know what it is and whether it is going up or down, and whether it is in proportion to the increase in business and all that sort of thing. The same way with our cleaning and all of the various items that have to do with feeding.

Mr. WINSLOW. Do you know as a railroad man of previous experience why it is that railroads have never established terminal stockyards?

Mr. BUCKINGHAM. No; I said in my statement that formerly the railroads in Omaha performed all the switching service and everything of that kind around the stockyards, and then they found it became so burdensome as the number of packing houses increased

and the business increased, and the number of roads coming in there increased—there would be, maybe two or three switching engines belonging to one railroad wanting to get to one packing house at one time, fighting for the business. They found it so utterly impracticable that they went to the stockyards company and got them to take it over.

Now, I think the stockyards business is a business in itself. After the railroad companies cease with the transportation they are through. After the stock has been delivered to the owner or the representative of the owner, the railroad company naturally does not want anything further to do with it. It is then out of their line of business entirely.

Mr. WINSLOW. Do you know of any stockyard in the country that is maintained by a railroad?

Mr. BUCKINGHAM. No; I do not. There might be such but I do not know.

Mr. WINSLOW. Do you know of any railroad in the country which furnishes housing facilities for shipments made to consignees in carload lots?

Mr. BUCKINGHAM. No.

Mr. WINSLOW. Of any commodity of any character?

Mr. BUCKINGHAM. No; I do not. The only thing I know is that a railroad company will furnish the track on which to place the car for the consignee to come and unload it.

Mr. WINSLOW. That is an answer to another question, of course.

Mr. BUCKINGHAM. Does that give you the answer?

Mr. WINSLOW. No.

Mr. BUCKINGHAM. Then let me have the question again.

Mr. WINSLOW. I want to ask you if you know of any railroad in the country which furnishes housing facilities for carload lots shipped to consignee?

Mr. BUCKINGHAM. No; I do not.

Mr. WINSLOW. Now, you make the exception that when the consignee does not empty a car put on his siding for him, or placed at his own warehouse, that sometimes the railroads do hold that carload of commodity in their own building but charge demurrage?

Mr. BUCKINGHAM. Yes. I have in mind, say, a carload of Arbuckles' coffee consigned to somebody at the station, and after 48 hours if it is not unloaded, there is a demurrage charge which commences, and the car may lay there for a number of days. Finally, the railroad company will say, "Here, we want that car. Now, Mr. Agent, you take and unload that coffee and put it in a corner of your freight house and you hold it there until Mr. Arbuckle's man comes along or his agent, or whoever it may be, and takes it away." And he must pay for the demurrage on the car up to the time the car was released, and then, I think, the railroad company would also charge him a warehouse demurrage or a freight house demurrage, or whatever they call it, for the time the coffee remained in the freight house.

Mr. WINSLOW. Now, one more question along that line. Do you know of any discrimination in the treatment of consignees by railroad companies in respect of carload lots of general merchandise as contrasted with carloads of cattle, in so far as housing at the terminal goes.

Mr. BUCKINGHAM, No; I do not know that I quite get you on that.

Mr. WINSLOW. Here is my point. The railroad does not furnish a stockyard for a carload of cattle to be discharged into, neither do they furnish a warehouse for a carload of anything else.

Mr. BUCKINGHAM. No sir; not that I know of.

Mr. WINSLOW. Without charging demurrage, so in contrasting the privilege extended to the man who ships a carload of cattle, so far as unloading and a place to store the cattle, contrasted with the privilege extended to the man who is handling coffee or agricultural machinery, or what not, there is nothing in favor of one as against the other.

Mr. BUCKINGHAM. Not that I know of.

Mr. WINSLOW. So they stand on a parity and the railroads are not furnishing terminal facilities for housing carload lots for anybody, whether it be cattle or merchandise.

Mr. BUCKINGHAM. No, sir. I know from my personal experience of 37 years with the railroads, that their greatest anxiety, after they have once loaded the stock in their cars, is to get it to destination and get rid of it just as quickly as they can.

Mr. WINSLOW. Then if any independent packer has any complaint of unfairness of treatment on account of the cost of carrying, or the fellow who is not the packer, but who sells to the packer—what do you call him, you have some technical name for him which has been used here.

Mr. BUCKINGHAM. That is the commission man.

Mr. WINSLOW. Then if the commission man or the man who ships has any fault to find about the cost of carrying his cattle after delivery by the railroad at the point of destination, it is not with the railroad but with whomsoever controls the cattle yards.

Mr. BUCKINGHAM. After the cattle are unloaded into the chutes and have been delivered by the stockyards company for the railroad company to either the owner or to the commission man who represents the owner, the railroad transportation, as I understand it, ceases right there.

Mr. SANDERS. And the railroad charge ceases also?

Mr. BUCKINGHAM. Yes, sir. The railroads pay the stockyards company for switching the cattle into the chutes, because that is a service which they should themselves otherwise perform. Then they pay the stockyards company for unloading the cattle into the chutes because that is a duty which they should perform. Then the stockyards company representing the railroad counts that stock out of the chute and delivers the number of head to the owner, if he happens to be standing there, and the owner can take it and drive it out on the streets, and go where he pleases with it. That is the end of it; or in the case of cattle for sale, and of course, that is the big end of the business, it is delivered to the commission man, who, as a rule, represents the owner. It is taken to the pens that have been set aside for the use of that particular commission man or his firm, and then it is up to him to dispose of those cattle for the owner just as he sees fit. The stockyards company has nothing to do with it. The stockyards does charge that owner through the commission man for whatever hay it furnishes, and it only furnishes what the commission man or the owner orders. If he says 200 pounds or 300 pounds to the car, that is what they get, and that

is what they pay for. Then, finally, when the commission man asorts the stock out to suit the market conditions, maybe a part of the load is sold to one man and part to another. We have sometimes one load of stock that will come in and have to be weighed in 20 different lots. When that stock goes across the scale and is weighed, the commission man and his representatives, take it to the scales, place it on, then they go into the scale house and stand there to see that it is properly weighed, and to give the records to show who is selling it and who it goes to. Then when it goes across the scale, the stockyards company employee steps in and takes the stock off, yards it, locks it up, and holds it there, whether it is an hour or a day or week, until the owner comes and identifies himself, and then it is delivered to him, whoever he may be.

Mr. WINSLOW. I suspect you have answered what I want to know, but I would like to ask you—

Mr. BUCKINGHAM. I want to explain it to you clearly, but maybe I do not quite understand you.

Mr. WINSLOW. Let me put the question in this way: Has the consignor of cattle the right to make any claim against the railroad for the condition of his cattle except the period of transit?

Mr. BUCKINGHAM. After they deliver to the chute pen, no.

Mr. WINSLOW. That is what you call discharging it?

Mr. BUCKINGHAM. Yes; he has then concluded his service.

Mr. WINSLOW. And if he delivers them in good order to the railroad company and they were hauled a distance and disposed and deposited, we will say, in Chicago, properly cared for during transit, properly discharged into the stockyards at Chicago, the consignor would have no claim against the railroad, and if any difficulty arose in respect of the condition of the stock thereafter, it would be up to somebody beyond the point of discharge.

Mr. BUCKINGHAM. Yes, sir; after the stock has been unloaded into the chutes and it is counted out of those chutes and delivered either to the consignee, the commission man, or to the owner himself, the responsibility of the railroad ceases, and then somebody else is responsible, either the stockyards company or the commission man.

Mr. WINSLOW. I do not want to burden you by asking you who that fellow is; I just wanted to carry it up to the point of discharge by the railroad, and I also wanted to bring out the point, if it is true, that the man who sends a carload of cattle over the line of a railroad, has just as much granted to him in the way of housing by the railroad as would a man who was sending a carload of hardware; and that is, no consideration at all so far as housing is concerned.

Mr. BUCKINGHAM. I do not see any difference between the two cases.

Mr. STINESS. Mr. Buckingham, you say you get a bond of \$10,000 from the commission merchant, and that is to protect you against the freight charges.

Mr. BUCKINGHAM. Let us make that a little broader, against whatever charges may accrue.

Mr. STINESS. Suppose a farmer consigns cattle to himself in Omaha, what do you have to protect yourself against such a loss in lieu of the \$10,000 bond?

Mr. BUCKINGHAM. We have nothing except the farmer will step into our office and pay the freight charges and the feeding charges,

if any, and ask for an identification which permits him to go up to our yard man who, the minute he gets this identification, will count the stuff out of the pen, and then it will be taken away. These things are so simple to the people around the stockyards yet they seem to be such mysteries to people who do not understand the yards that it is hard to make them entirely clear; but it is a straight business proposition; that is all; and if you were there, I think you would say the same thing.

Mr. PARKER of New Jersey. Mr. Buckingham, you stated that the yardage charges were practically the same at all yards.

Mr. BUCKINGHAM. The yardage charges at Omaha for the last 25 years, I think, has been 25 cents per head on cattle, 10 cents on calves, and that is supposed to represent an animal, I believe, of less than 400 pounds; and in the case of hogs 8 cents, and in the case of sheep 5 cents, and for horses and mules 25 cents.

Mr. HAMILTON. A day?

Mr. BUCKINGHAM. Per one time; if they are there an hour, a day, or a week.

Mr. PARKER of New Jersey. Are the switching charges the same at all yards?

Mr. BUCKINGHAM. Oh, no; the switching charges vary at the stockyards just the same as they vary in cities like Chicago. It depends on the distance; in other words, it depends on the service.

Mr. PARKER of New Jersey. But the yardage charges are practically the same throughout the United States?

Mr. BUCKINGHAM. They have been until perhaps since the war, when there may have been some increases at some places, but up to that time they were practically the same the country over.

The CHAIRMAN. Mr. Buckingham, I want to ask you a few questions. Let me see if I have accurately the capital stock outstanding of your company. Is it \$7,496,300?

Mr. BUCKINGHAM. \$7,500,000 less, I think, \$300 or \$400.

The CHAIRMAN. I understood you to say \$7,496,300.

Mr. BUCKINGHAM. Yes.

The CHAIRMAN. What is the outstanding bonded indebtedness?

Mr. BUCKINGHAM. \$700,000.

The CHAIRMAN. What other stock liability or bonded liability or borrowed money liability have you?

Mr. BUCKINGHAM. None of any kind to my knowledge.

The CHAIRMAN. Then that represents the entire bonded indebtedness and the capitalization?

Mr. BUCKINGHAM. Yes.

The CHAIRMAN. What interest do you pay on the bonds.

Mr. BUCKINGHAM. Five per cent.

The CHAIRMAN. And 8 per cent on the stock as dividends?

Mr. BUCKINGHAM. Yes.

The CHAIRMAN. Have dividends been paid regularly, right along, every year?

Mr. BUCKINGHAM. Yes, sir; for a great many years 6 per cent, and for the last three years 8 per cent.

The CHAIRMAN. Being a regular dividend payer, therefore there is a good general market for your stock?

Mr. BUCKINGHAM. The stock sells at about par.

The CHAIRMAN. And pays 8 per cent?

Mr. BUCKINGHAM. Yes. I might volunteer the information that it would sell, unquestionably, for say 125 were it not for continued legislative attacks.

The CHAIRMAN. Before the war came on?

Mr. BUCKINGHAM. I am not referring to this matter. I am referring to State legislatures.

The CHAIRMAN. You said legislative attacks. I thought you said legislative tax.

Mr. BUCKINGHAM. Oh, no.

The CHAIRMAN. Then you have outstanding in the way of stocks and bonds, \$8,196,300.

Mr. BUCKINGHAM. Yes.

The CHAIRMAN. And you pay 5 per cent on \$700,000 and 8 per cent on the rest.

Mr. BUCKINGHAM. Yes.

The CHAIRMAN. Why is it that a good, solvent company like your, which has paid its dividends regularly, wants to have a bonded indebtedness of any kind or in any amount?

Mr. BUCKINGHAM. I can only answer that in this way: When I went to the yards 11 years ago I found we needed a lot of heavy repairs, permanent work, and we needed additions to the property because of increased business. We had to modernize, you might say, in every way. Now, to-day, we have got at South Omaha, I think without question, the finest home for hogs in the world.

The CHAIRMAN. I do not care about that. I am quite satisfied you have a model yard, but here is what I do not understand: Having such credit as you evidently did have, why did you not issue stock, which is capitalization, instead of issuing bonds, in order to make permanent improvements which ought to be a capitalization charge?

Mr. BUCKINGHAM. I cannot answer that further than to say that in the judgment of the directors it was thought advisable to make this bond issue and take care of these additional improvements.

The CHAIRMAN. It is a trick of finance.

Mr. BUCKINGHAM. It may be wrong. I am not going to argue that point.

The CHAIRMAN. Well, there is so much of it going on now.

Mr. BUCKINGHAM. I am not a financier.

The CHAIRMAN. Mr. Buckingham, I understood from your statement that there are more female stockholders than male stockholders in your company.

Mr. BUCKINGHAM. Yes.

The CHAIRMAN. Does that mean that the women of Nebraska or these women stockholders wherever they may live, may have better financial judgment and know better what a good investment is than the men, or are they better managers or better executives or know better what they should do? How is it that they have more of your stock than the males?

Mr. BUCKINGHAM. Well, about the only way I can answer that is this: The bankers in Omaha, the school-teachers will go to them, or people of moderate circumstances, and possibly widows who have a little money, and want to know where to place it where it will be reasonably safe in these days with a fairly good return, and in many cases they are advised to put their money into this stockyards stock. I have in mind one gentleman whose wife was a school-teacher, and I

presume he has told 20 or 25 women in Omaha who are school-teachers to put their little savings, whatever they may be, into this stock.

The CHAIRMAN. From the record shown here he gave them good advice.

Mr. BUCKINGHAM. I think so.

The CHAIRMAN. It seems strange to me that he did not give the men the same advice, or perhaps they did not have the good sense to act on it.

Mr. BUCKINGHAM. Men are not always prone to take advice.

The CHAIRMAN. Maybe that is the reason woman's suffrage is coming in the country, and we will then get the benefit of their better judgment in governmental affairs as well as business affairs.

Mr. BUCKINGHAM. It may be that men are not prone to save their money like these women.

The CHAIRMAN. Perhaps they are not.

Mr. BUCKINGHAM. I can not answer that question.

The CHAIRMAN. I did not understand and do not understand why the women should buy more of your stock than the men except upon the exercise of a better financial judgment; they are not speculators nor stock gamblers nor stock manipulators, and I thought that perhaps if your women had been directors at the time the bonds were issued they would not have been issued in all probability.

Mr. BUCKINGHAM. Well, that might be. I thought that this fact of having so many women stockholders, when I started to make up this statement, seemed so strange, I thought we ought to bring it out. I thought it was a very interesting figure.

The CHAIRMAN. There is another interesting point in my mind not directly connected with this matter, and that is that every time I have seen a propaganda given out for an increase of freight rates it is always accompanied by a statement that widows and orphans who are stockholders in the railroads, and I did not know but that you needed a few such stockholders in your company and perhaps you were trying to popularize your stock.

Mr. BUCKINGHAM. I am not here asking for any increase of rates or anything of that sort.

The CHAIRMAN. They are good enough, I suppose. Mr. Stiness, do you want to ask a question?

Mr. STINESS. I was just going to suggest that perhaps it would be well, under your theory, to put a woman on the board of directors.

Mr. BUCKINGHAM. I do not know but that it would be.

The CHAIRMAN. Mr. Buckingham, the service which the stockyards company performs is essentially a railway transportation terminal service, is it not? I do not mean the marketing and selling within the yards.

Mr. BUCKINGHAM. After the unloading of the stock into the chutes, then it becomes absolutely a public-market proposition.

The CHAIRMAN. After unloading in the chutes?

Mr. BUCKINGHAM. Yes.

The CHAIRMAN. Outside of where private companies like your own own these stockyards or these terminal facilities, do not the railroads own terminal facilities of that kind?

Mr. BUCKINGHAM. The railroad companies own at the stations along their line of road the necessary facilities for loading and unloading stock.

The CHAIRMAN. Which, in part, are the same facilities you are required to have.

Mr. BUCKINGHAM. Simply for the unloading and loading, but not to put cattle on the market for sale.

The CHAIRMAN. Then to that extent your service is a terminal service; that is, you relieve the railroads from doing what they have to do where there is no stockyards company like yours.

Mr. BUCKINGHAM. The railroad companies, if they so desired, rather than to pay this stockyards company for switching the car into the stockyards chutes and the stockyards employees unloading them for the railroad companies, they could, of course, establish a nearby yard, if they wanted to, in Omaha, where they could unload this stock and deliver it to the owner, who in turn could drive it down through the streets of Omaha to the stockyards company, where it would be yarded and put on sale.

The CHAIRMAN. Or the railroad company could own your stockyards and do the switching and everything connected with it.

Mr. BUCKINGHAM. Of course they could, but they would probably be in the same position there that they were in the switching facilities. It would be a pretty bad mix up as to how much of the facilities each one should have and all that sort of thing.

The CHAIRMAN. I was simply laying the foundation for another question. It is claimed that the terminal charges of the railroads are included in the freight charges. You have been a railroad man and you can tell me about that, and that the terminal charge is included in the rate. That is what is claimed usually by railroad men; is it correct?

Mr. BUCKINGHAM. That is correct as far as this live-stock business is concerned, about which I have been talking. The railroad company pays the stockyards company for the service which it performs for them—the switching—that is the terminal service.

The CHAIRMAN. It pays you for that, and then it pays you for collecting these bills and guaranteeing the solvency of the consignors.

Mr. BUCKINGHAM. The collection of freight and taking care of all the office work incidental thereto is included, or goes along with the switching charge; in other words, there is not a separate charge against the railroad company for that.

The CHAIRMAN. But you relieve the company from performing that service which it would have to perform if there was no stockyards company to do it.

Mr. BUCKINGHAM. That may be, and there have been cases where the railroad companies and the stockyards companies perhaps have fallen out, and the railroad companies have taken over the matter of collecting the freight themselves.

The CHAIRMAN. Which shows it to be a transportation service and one incidental and necessarily connected with it.

Mr. BUCKINGHAM. The matter of the collection of freight is a part of the transportation service.

The CHAIRMAN. Does the railroad company charge a less freight rate for cattle delivered to your yards where they are relieved of performing these terminal services themselves? Do they charge a less freight rate than they do where they have to do that themselves?

Mr. BUCKINGHAM. No.

The CHAIRMAN. They charge just the same.

Mr. BUCKINGHAM. Yes; in fact, I do not know of a case where they are relieved of that service.

The CHAIRMAN. I am talking about the charge. They pay you for doing that which they would have to do if they did not pay you for doing it?

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. And, therefore, they would have to have a capital investment in this property which they now do not have to have?

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. And also an operating expense which they do not have to have now. Now, do you get or do you charge them that much less, or pay them that much less, on account of being relieved from the capital investment and the other expenses, and clerical work, which they would otherwise have to do?

Mr. BUCKINGHAM. I do not quite get you on that, Mr. Sims.

The CHAIRMAN. Well, the terminal charge proper, as I understand it, includes an earning upon the property of the terminal?

Mr. BUCKINGHAM. Yes.

The CHAIRMAN. Now, then, the railroad company does not have to have that capitalization; does not have to have that tangible, fixed property?

Mr. BUCKINGHAM. No.

The CHAIRMAN. They hire you to do that and you do that, and you invest your capital; but in the freight rate they make, do they reduce the freight to the extent that they are relieved of investing their own capital and rendering their own service, and doing everything you have to do?

Mr. BUCKINGHAM. There is no difference between the service that we perform in connection with the railroads as far as this switching is concerned, any more than one railroad pays the switching charge in order to get one of its cars set over to a warehouse on a connecting line for which they pay the switching in order to handle the business. The conditions are identically the same.

The CHAIRMAN. But they have forced you by not doing a public transportation service, which is part and parcel of their natural and necessary functions—they have relieved themselves of investing \$10,000,000 of capital which you have invested.

Mr. BUCKINGHAM. They would not invest that amount of money. They would simply invest the amount of money that would be required to furnish the switching terminals, including, we will say, the chutes.

The CHAIRMAN. Then they would have the clerical service of collecting bills and everything of that sort, and also the operating charges.

Mr. BUCKINGHAM. That may be true.

The CHAIRMAN. They are compelled—

Mr. BUCKINGHAM (interposing). But what I am getting at is this—

The CHAIRMAN. Let me finish, please. You to-day do a service which they would have to do, and that is, putting this stock off at stated periods and feeding it in transit. They would have to do that and would have to have pens, to do it. After the journey terminates, then comes the buying and selling, and the market charges, and all that sort of thing, which, of course, is not necessarily a

transportation charge nor connected with it; but they would have to own the land; they would have to own the chutes; they would have to have water facilities for watering the stock, and they would have to have clerical employees to render the service which is exclusively a shipping or transportation service of which now they are entirely relieved, and they are also relieved of the capital investment which it would take to buy this ground and put up these yards. Now, here is the point: Unless they reduce their freight rate proportionately, your company comes in and very justly gets a good earning upon the capitalization which it puts in, but all of which must come out of the owner of the product or of the business. Now, is it necessary in order to perform the transportation service that we have this double way of handling it. It may be convenient to the railroads, and it is profitable, of course, to the stockholders, but from the standpoint of benefit to the public, why should not the railroad company own this property itself, this tangible property, and perform all of the transportation service? Now, the marketing and selling might be done by their authorization by some other company because it is not a part of transportation.

Mr. BUCKINGHAM. The position of the stockyards company in this matter that you speak of is identically the same in connection with the railroad as it is in their securing business from an establishment located on somebody else's line at a terminal. It is not practicable for them to have tracks into or adjacent to every man's business in a large terminal, and instead of putting their money into such trackage, they pay one of their connecting lines to take one of their cars and place it at such establishment for loading with business which is going out over their road, and they pay that collecting line for the switching just exactly as they pay us.

The CHAIRMAN. Well, it is a transportation service.

Mr. BUCKINGHAM. It is a matter of how to get this work done in the best way.

The CHAIRMAN. Do any of the other gentlemen wish to ask Mr. Buckingham any questions?

Mr. HAMILTON. I hesitate to ask any questions at this late hour because you have been on the witness stand a long time.

Mr. BUCKINGHAM. That is all right. I would simply like to make this stockyards proposition clear, if I can.

Mr. HAMILTON. I would like to ask you a few questions. As I understand you, in response to questions that have been propounded, you regard the stockyards as performing about the same function in relating to stock in transportation that the grain elevators perform in relation to grain in transportation; that is to say, in each case the grain elevator and the stockyards are simply links in the chain of transportation.

Mr. BUCKINGHAM. I do not know much about grain elevators, only about stockyards, and I am just trying to make clear to you that we are the facilities, or, we are the bridge over which this stock passes, and we have nothing to do with prices or anything of that sort, any more than you have.

Mr. HAMILTON. All right; I am not going to pursue that any further. Now, just one other thing: It is pretty clear, is it not, that yardage and feed being rather expensive, it becomes important to the owner of stock to have stock disposed of as rapidly as possible?

Mr. BUCKINGHAM. Yes, sir.

Mr. HAMILTON. That is clear, is it not?

Mr. BUCKINGHAM. Yes, sir.

Mr. HAMILTON. Now, one other question: This buying and selling of stock at the stockyards is really an expert business, is it not?

Mr. BUCKINGHAM. Yes, sir.

Mr. HAMILTON. To be a buyer and seller a man should be informed as to the market, of course, daily.

Mr. BUCKINGHAM. Yes, sir.

Mr. HAMILTON. So as to buy intelligibly.

Mr. BUCKINGHAM. You have got to keep up with the market just the same as in any other line of business.

Mr. HAMILTON. It is a profession in itself?

Mr. BUCKINGHAM. Yes, sir.

Mr. HAMILTON. How many of the so-called five packers have regular commission houses in their constant employment?

Mr. BUCKINGHAM. None.

Mr. HAMILTON. Then each packer has a man or firm employed by him to do his buying?

Mr. BUCKINGHAM. Every packer has as many buyers as the conditions at the market where they are located would seemingly require.

Mr. HAMILTON. But he habitually does business, I assume, with some man or men with whom he has established relations of confidence, and by confidence I mean men in whom he has confidence as good buyers and reliable men.

Mr. BUCKINGHAM. You are speaking now of the packer?

Mr. HAMILTON. I am speaking of the packer.

Mr. BUCKINGHAM. I think so, yes.

Mr. HAMILTON. Then he habitually—

Mr. BUCKINGHAM (continuing). He would be very foolish to have somebody in his employ buying stock that he had not confidence in.

Mr. HAMILTON. Precisely; then he has practically constantly some buying agency in his employment?

Mr. BUCKINGHAM. He has got these regular buyers of his who go out and buy stock every day, or as many days as they require that particular kind of stock.

Mr. HAMILTON. I understand that these buyers are in commission houses.

Mr. BUCKINGHAM. No; they are on the other side of the fence.

Mr. HAMILTON. Exactly. Now, all the five packers have these buyers?

Mr. BUCKINGHAM. Yes; every packer has his own buyers, naturally.

Mr. HAMILTON. Now, within your observation from day to day, the packers communicate to their buyers about the number of head of cattle or hogs, as it may be, that they require?

Mr. BUCKINGHAM. Yes.

Mr. HAMILTON. So these buyers go on the yards—by the way, these buyers have offices rented from you?

Mr. BUCKINGHAM. The packing companies have an office in or adjacent to the Exchange building where their buyers and drivers and men connected with the direct purchases and handling of the

stock are located; not necessarily near the packing house, don't you see.

Mr. HAMILTON. I see. Now, I am simply considering this subject, having in mind human nature as you and I have had occasion to observe it; Swift—is Swift the biggest of the packers? Swift is the biggest of the packers, is he not?

Mr. BUCKINGHAM. Well, I do not think there is very much difference between Swift, we will say, and Armour, or I guess Morris. They are all big establishments.

Mr. HAMILTON. I understand Swift is perhaps the largest.

The CHAIRMAN. I think last year's report showed Armour did more business.

Mr. HAMILTON. Suppose Swift's man or men come on on a certain day and say they have to have so many cattle, and Armour's man or men come on on a certain day and say we have to have so many cattle or hogs, as the case may be—they are all interested, of course, in buying the stock as low as they can.

Mr. BUCKINGHAM. Surely.

Mr. HAMILTON. And if perchance it happened that the representatives of the five packers, assuming they were all there on that particular day, had had any conference among themselves about what the price should be for cattle of a certain grade, cattle would not bring much more than that, would they? Now, let us talk just between man and man.

Mr. BUCKINGHAM. You are now touching on something I know absolutely nothing about.

Mr. HAMILTON. But, Mr. Buckingham, you are a wise man.

Mr. BUCKINGHAM. Wait a minute, and let me finish. I am trying to tell you that the stock yards company—and that is what I am interested in—represents simply service.

Mr. HAMILTON. I understand that.

Mr. BUCKINGHAM. Now, I can make surmises and I can go into all sorts of improbable things.

Mr. HAMILTON. I am not asking you to surmise. I am asking you to draw upon your observation of 11 years.

Mr. BUCKINGHAM. No; if you are asking me if I have seen these gentlemen get together—

Mr. HAMILTON (interposing). No; I did not ask you that.

Mr. BUCKINGHAM. Then let us have that stated again.

Mr. HAMILTON. I am asking you as a good, square—

Mr. BUCKINGHAM. I am going to answer you in the same way.

Mr. HAMILTON. That is the way to get at it.

Mr. BUCKINGHAM. You bet.

Mr. HAMILTON. I will ask the stenographer to read the question. (The stenographer read the question referred to.)

Mr. BUCKINGHAM. I can not give you any information on that subject at all. I have never seen these gentlemen get together. I am not going to make any guesses or surmises. There has been so much of that done in connection with this live stock business that I do not care to be interested in that feature of it.

Mr. HAMILTON. Of course, Mr. Buckingham, this question I am asking you has an important bearing on the price, does it not?

Mr. BUCKINGHAM. Let me suggest to you that you ask that question of the commission men who sell the stock and no doubt there

will be some of them on the stand, and also ask the other party who is directly interested in the same question.

Mr. HAMILTON. I am very likely to ask them, but I am approaching you on the ground that you are a rather disinterested party as to this transaction.

Mr. BUCKINGHAM. We are, absolutely.

Mr. HAMILTON. Now, you have observed dealings upon your stock yards for 11 years and you know human nature; and you know in a country town if there are only two buyers for wheat they do not bid very much against each other unless they have a falling out.

Mr. BUCKINGHAM. You are going to get me back on this grain business again which is something I do not know anything about.

Mr. HAMILTON. But you do know about the live stock business.

Mr. BUCKINGHAM. I do know about the live stock business as far as the handling and movement of it is concerned. I do not know anything about prices. I do not know anything about the purchases. Now that may seem strange to you—

Mr. HAMILTON (interposing). Wait one minute; I am going to take your word for it; but the packers are the biggest buyers on your yards, are they not?

Mr. BUCKINGHAM. Surely. This statement shows that.

Mr. HAMILTON. They are interested in buying hogs and cattle and everything else. They go through the pens connected with your yards and they are just as anxious to buy as low as they can, are they not?

Mr. BUCKINGHAM. Naturally.

Mr. HAMILTON. Certainly.

Mr. BUCKINGHAM. Up to the point, I would say, where it might seriously affect production, and then they would hurt their own business.

Mr. HAMILTON. Then they go on the yards with a price, we will not say there has been any collusion between them, because that is a matter of speculation, and you can speculate about it as well as I can, and we will not say there has been any collusion, but we will say they will go on the yards, a representative of each packer, with a pretty clear idea in his head as to what he will pay for stock that day. He does that, does he not?

Mr. BUCKINGHAM. I do not know as to that. I know he goes on the market with a pretty thorough understanding of what he wants and what he must have to keep his killing forces employed for the full day.

Mr. HAMILTON. And he is not going to pay a fractional cent more than he is obliged to.

Mr. BUCKINGHAM. I presume he would not.

Mr. HAMILTON. Again, we draw on human nature.

Mr. BUCKINGHAM. Yes.

Mr. HAMILTON. Then suppose that you and I are small chaps on the yard, we do not stand much chance as against the large packers and we trail them, do we not?

Mr. BUCKINGHAM. No; I do not understand it that way. I think these small men, from my observation at Omaha, know what they want just the same—

Mr. HAMILTON. Oh; they know what they want, or we know what we want, but the question is what we can get.

Mr. BUCKINGHAM. One moment, please; let me finish. And knowing what they want they start out over the cattle division which covers 58 or 60 acres, and they go around through that yard and figure on what they want, and make up their minds about what they are going to buy.

Mr. HAMILTON. So do the representatives of the packers.

Mr. BUCKINGHAM. Surely. They have to make those observations. They do not buy anything like a pig in a poke. They go out and buy on value.

Mr. HAMILTON. And they know where to find it.

Mr. BUCKINGHAM. They go over this 60 acres of ground and they have to visit all the pens, and one man is out buying steers, another man may be buying cows, and another buying calves, and some other man buying bulls, and so on.

Mr. HAMILTON. The packers' representatives have scouted around over those yards and have been able to report to the packers' representatives just where the stock they want that particular day is to be found.

Mr. BUCKINGHAM. I do not think, as a matter of fact, the buyer reports to anybody after he has found out in the morning what he is going to buy. Now, I can not give you only from general knowledge, and think he starts out, and that one man is going to buy so many head of steers, and some other man is going to buy cows, and some other man is going to buy so many head of calves. They know about what they are going to buy, and they start out and buy as best they can the amount they want, and when they have filled their order, they are just like anybody else, they quit.

Mr. HAMILTON. And it would seem quite natural for you and I, representing Swift and Armour, I representing Swift, for illustration, and you representing Armour, and we knowing that over here in certain pens on these 60 acres there are a certain grade of cattle that we both want, and which we think we have to have that particular day, and that particular kind of cattle, I representing Swift, would say to you, representing Armour, "How many head have you got to have to-day?" And you will say, "So many." And I will say, "I want so many. And then, "All right; we will divide the bunch." That would seem a sort of rational way from the packers' standpoint, would it not?

Mr. BUCKINGHAM. I think you are figuring, probably, or basing your calculation on what used to happen in the days of large consignments, we will say, of grass cattle.

Mr. HAMILTON. I am not figuring on that at all.

Mr. BUCKINGHAM. I imagine that must be it. I do not know of any transaction of the kind that you speak of occurring in the Omaha yards for years.

Mr. HAMILTON. Why shouldn't it?

Mr. BUCKINGHAM. No; it does not.

Mr. SANDERS. Has human nature changed in those years?

Mr. BUCKINGHAM. They do not come in large quantities like they used to. On the other hand, the packers are getting a good deal bigger than they used to be.

Mr. HAMILTON. Yes; they are.

Mr. BUCKINGHAM. They can take of a larger number of the same kind of animals. You are referring to split shipment buying.

Mr. HAMILTON. No, I do not know anything about your technical terms.

Mr. BUCKINGHAM. I think that is what it is called. I am pretty nearly as bad off as you are about the buying end of it.

Mr. HAMILTON. I thought that very likely, and I thought perhaps you might be willing to confirm my impression that you and I, representing Swift and Armour, and there being a particularly desirable bunch of cattle which we thought we wanted, that we would be apt to talk that over between ourselves, being well acquainted and being more or less friendly, and doing business every day on the yards together, and feeling that inasmuch as we, the five packers, practically constituted the market, with a few small packers on the side, that we could practically regulate the price, and as a matter of comity, we would arrange among ourselves as to how many head we would need and about what we would pay for them.

Mr. BUCKINGHAM. Well, that sounds awfully good, but from my experience in Omaha for eleven years, I do not know of a case of that kind.

Mr. HAMILTON. Do you know anything about it at all?

Mr. BUCKINGHAM. No; not about a case of that kind.

Mr. HAMILTON. I understood you to say at the outset that you did not know much about this.

Mr. BUCKINGHAM. I have told you several times I did not know very much about the selling of cattle.

Mr. HAMILTON. I am going to ask you if you will say that that is not done?

Mr. BUCKINGHAM. I will say to the best of my knowledge and belief, based on an experience in Omaha of 11 years, and I am only speaking of that market because I do not know anything about any other, I will say no.

Mr. HAMILTON. Well, let us jump from that line of interrogatories to this question: The packers practically control the market, do they not?

Mr. BUCKINGHAM. The packers are very large buyers of live stock—

Mr. HAMILTON. That is a sufficient answer.

Mr. BUCKINGHAM (continuing). And naturally they have a good deal to say about prices. They are the men who purchase—

Mr. HAMILTON (interposing). I find that you have really a good field of knowledge about this, after all.

Mr. BUCKINGHAM. My statement shows the exact figures of the packers' purchases in South Omaha, and you have the figures there.

Mr. HAMILTON. All right, Mr. Buckingham.

Mr. BUCKINGHAM. I do not want you to try to make me say something I do not know anything about.

Mr. HAMILTON. I would not do that. I do not think I could.

Mr. BUCKINGHAM. But I want to give you all the information I can.

Mr. HAMILTON. That is all I have to ask.

The CHAIRMAN. Mr. Buckingham, we are very much obliged to you for your very illuminating statement.

(The committee thereupon adjourned).

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,

January 18, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

**STATEMENT OF MR. EVERETT C. BROWN, PRESIDENT OF THE
CHICAGO LIVE STOCK EXCHANGE, CHICAGO, ILL.**

The CHAIRMAN. Mr. Brown, just proceed in your own way.

Mr. BROWN. Mr. Chairman, after having gone over the bill in question, representing the Chicago Live Stock Exchange alone, I desire to say that we protest against the Government ownership features, believing it will be cumbersome, inefficient, and from the experience we, as commission men, have had in receiving live stock from railroads, if the handling of the Railroad Administration can be taken as any example of what the handling of stockyards would be, we, as representing the producers as well as the commission men—and we feel that we are closer to the producers of the industry, that we are doing them a service in protesting against anything that will be inefficient in the handling of live stock.

As far as the licensing feature is concerned, the commission men are perfectly willing to be licensed, if all other branches of the industry are licensed, and all other commission men in all other food products are licensed.

We can not see why the live-stock industry should be singled out for legislation and exchanges in other commodities allowed to go without any legislation.

Personally, I do not believe that you have got the bill buttoned up. There is a feature that if you eliminate the so-called packer control from the big markets of the United States, you are apt to eliminate the buying power of those markets and destroy competition. If the packer is divorced from his baby—and you may call the live stock the baby part; that is, the live stock market, perhaps the baby of the packing industry, because, I think, they earn less money out of that than any other part of their activities,—if you divorce that, they can go out in the country and buy direct. They can ship direct to their packing houses without going into the market, and if the packers go into the country and buy of the producer there direct, they do not go in groups. For instance, representatives of Armour, Swift, Wilson, and Morris would not all go together and bid on one bunch of cattle. There would be only one buyer there, and the producer would sell his cattle and he might sell for 50 cents or \$1 cheaper. There would be no competition such as the big open live stock markets have at this day.

I can say on droves of cattle and droves of hogs—I am a salesman myself—I have seen bids vary on the same drove of cattle anywhere from 50 to 75 cents a hundred.

Now, if it is the meaning of this bill to eliminate competition in the great public markets of the United States, I think you will arrive at that feature; but I do not think it is; I do not think that is the idea of you gentlemen who are interested in this bill. I feel that there must be competition, if you are going to satisfy the

producer. From my experience in meeting, daily, farmers from all over Illinois, Iowa, Minnesota, and Missouri, there is not one of them who approves of Government ownership or control of railroads. I have not seen one yet.

The CHAIRMAN. Of railroads?

Mr. BROWN. Well, the Railroad Administration; and if the same principle were to apply on stockyards, they feel that the machinery would be too cumbersome and inefficient; that the stock would not be handled properly, and that in the end they would be the losers.

As a matter of principle, the bill may be right, theoretically, but the question in my mind is whether the cure is going to be worse than the disease, and we believe the cure will be worse than the disease.

I have no further statement to make as to my objections to the bill, and I am perfectly willing to answer any questions you gentlemen may wish to ask me.

Mr. ESCH. Mr. Brown, it is stated in the report of the Federal Trade Commission that there is an improper influence upon the market price due to a practice sometimes employed by the buyers of the five packers in coming late upon the market. What is your knowledge or experience with reference to that?

Mr. BROWN. Well, on days of light receipts, the packers are more apt to come on the market and commence their buying than on days of heavy receipts. It is very natural for a packer when he knows he has an overwhelming supply of cattle, hogs, or sheep, to wait until he gets ready to buy them. Does that answer your question?

Mr. ESCH. Is it to the disadvantage of the small or independent buyer to have the buyers for the big packers come on to the market at 9 or 10 or 11 o'clock?

Mr. BROWN. No; I would not say it was, because they are all buying for the next day's kill.

Mr. ESCH. But the small buyers, in a way, look to the buyers of the five packers to set the pace for that day's buying; is that not true?

Mr. BROWN. I think they do.

Mr. ESCH. So that if they delay coming on the market for one to two or three or four hours, it disturbs or disarranges the market, does it not?

Mr. BROWN. Well, it does not necessarily disturb the market if they buy up the day's receipt eventually; but, if they are expecting another big run the following day, they are very apt to leave over 10 or 15 or 20,000 hogs, and particularly so—for instance, in the case of the Chicago market, we very often get receipts of hogs, say, of 50,000 up to 75,000 during the winter months, and the buying capacity of that market of the actual killing capacity of the Chicago market is approximately 42,000 a day, so that of necessity some of that number must be left overnight.

Mr. ESCH. You have stated that one of the consequences that might follow if the Government took over the stockyards, and thus, in a way, eliminated the present method of buying, would be that the packers would send out their individual buyers to the territory.

Mr. BROWN. Yes, sir.

Mr. ESCH. And that if they did that, there would be no competition in the field?

Mr. BROWN. There would be less competition. If the big packers bought two or three thousand cattle a day in the country and five or ten thousand hogs in the country direct from the producer, there would be that much less buying power in the main markets.

Mr. ESCH. But you stated that the four or five big packers would not send four or five buyers to the same man.

Mr. BROWN. No, sir.

Mr. ESCH. If they did not, that would mean a prearrangement?

Mr. BROWN. That might be the psychology of that statement.

Mr. ESCH. Would it be a fair deduction, then, that that would mean or might result in a territorial distribution?

Mr. BROWN. It might.

Mr. ESCH. And that might have as evil consequences as an understanding as to the amount of purchases on a percentage basis?

Mr. BROWN. It might; assuming at all times, Congressman, that the control of these large stockyards is taken away from their present owners.

Mr. DOREMUS. Mr. Brown, I understand that you oppose this bill because you think it will destroy competition?

Mr. BROWN. Yes, sir.

Mr. DOREMUS. I assume from that that you believe competition is necessary to the life of the industry?

Mr. BROWN. I do; particularly so for the producer, the man who is raising the cattle and the hogs.

Mr. DOREMUS. There has been some evidence introduced in these hearings to the effect that two of the large packers split the live stock in the Denver market 50-50; that they have an agreement to that effect. What is your opinion of that arrangement as a means of preserving competition.

Mr. BROWN. Well, if that were done, it would be detrimental.

The CHAIRMAN. You do not doubt that it is being done as to the Denver market, do you?

Mr. BROWN. I am not acquainted with the Denver market as to its operation. I know that on the Denver market anybody can go in and buy anything they want to.

The CHAIRMAN. I mean, as to those two particular companies.

Mr. BROWN. There is another angle to that proposition.

The CHAIRMAN. I am speaking of facts and not angles. I just want to know whether they did do that or are doing that.

Mr. BROWN. They might do it. Of my own knowledge I do not know whether they do or do not.

Mr. HAMILTON. Mr. Brown, when stock arrives at the stockyards it is there to be sold and it does not get out until it is sold, does it?

Mr. BROWN. The stock does not get out of the stockyards until it is sold; no, sir.

Mr. HAMILTON. And the packers know that?

Mr. BROWN. Yes, sir.

Mr. HAMILTON. They know it is there, and they are the principal buyers, and they know the stock is running into expense, and if they do not buy them to-day they can buy them to-morrow, and buy for less; is that right?

Mr. BROWN. Yes, sir; but they may have to buy them higher if the next day's receipts would happen to be lighter, because the market might go up.

Mr. HAMILTON. And if the seller does not take the first price offered to him, he is apt to take less, as a rule, is he not?

Mr. BROWN. If he does not take the first price offered to him?

Mr. HAMILTON. Yes.

Mr. BROWN. No, sir; I do not agree with you at all on that.

Mr. HAMILTON. It has been frequently so stated.

Mr. BROWN. As a salesman on the Chicago live-stock market since 1890, I have obtained more for hogs and cattle on the second third and fourth bid than I have on the original bid.

Mr. HAMILTON. But that was all on one day?

Mr. BROWN. Yes, sir.

Mr. HAMILTON. And under somewhat exceptional circumstances?

Mr. BROWN. Not exceptional circumstances; just ordinary market conditions I would say.

Mr. HAMILTON. Well, the competitors, if they are competitors, are the packers, and if there is much competition it is between the packers, is it not?

Mr. BROWN. Well, in the Chicago market, under normal conditions, the outside eastern shipper will buy from six to ten thousand cattle out of a normal day's receipts of, say, from twenty to thirty thousand. The slaughterers in Chicago, other than the large packers, for instance, the small butchers who cater to the retail trade, the actual fresh meat trade in Chicago, will probably buy from 1,000 to 1,500 a day. That is buying power outside of the Big Five, as you call them.

Mr. HAMILTON. The small buyer is not likely to lead in fixing the price, is he?

Mr. BROWN. The small buyer, particularly in cattle—

Mr. HAMILTON (interposing). He could not fix the price if he wanted to.

Mr. BROWN. He can go out and make his own market. The big buyers very often come in later and would buy them at a lower price; but with cattle they do not pay any attention to the big buyer. The small buyer will go out in the morning and fill his orders first, usually.

Mr. HAMILTON. It has been stated so many times that it is getting to be somewhat of an old story, but I think you stated in response to a question by Mr. Esch that the packers would probably divide the country up into regions for the purpose of purchasing.

Mr. BROWN. He intimated that, and I said that might be the case.

Mr. HAMILTON. Yes; I think you are right about that, but that was in response to a suggestion of yours.

Mr. BROWN. Yes, sir.

Mr. HAMILTON. Mr. Brown, you say you mingle with the farmers a good deal.

Mr. BROWN. Every day.

Mr. HAMILTON. They are pretty intelligent people.

Mr. BROWN. I will say they are, and they are getting more so every day.

Mr. HAMILTON. They have to get more so.

Mr. BROWN. Yes, sir.

Mr. HAMILTON. If they found out that the packers had fixed a region for them in which the packers proposed to fix prices, do you not have an idea that they would contrive a remedy to counteract the packers?

Mr. BROWN. I have not the slightest doubt of it.

Mr. STEPHENS. I notice that you contemplate that this bill provides for Government ownership?

Mr. BROWN. I so understand it.

Mr. STEPHENS. I think the bill contemplated that the common carriers shall take over these stockyards, and it provides for the Government taking them over simply because the Government owns or controls the carriers at the present time. It is contemplated that whatever disposition is made of the railroads, of course, the stockyards will follow and also the terminal facilities, and I think the idea is that the railroads should own the stockyards. Would you have any objection to that?

Mr. BROWN. I do not think that the producers and farmers of this country want the stockyards owned any more by the railroads than they do by the packers.

Mr. STEPHENS. The railroads provide terminal facilities in the way of depots and warehouses for other sort of freight; now can you see any logical reason why they should not provide yardage for live stock?

Mr. BROWN. Theoretically, I do not know that there is any reason. The packers provide the buying power in those markets.

Mr. STEPHENS. Would it not have a tendency to prevent difficulties or unfair treatment of the patrons of the yards if they were owned by the common carriers? For instance, we had testimony submitted here the other day of a case in Sioux City where a man was packing meats in the yards and the influence of the packers in the control of the yards at Sioux City prevented this man from getting proper facilities to which he was entitled. If the carriers owned the yards conditions like that would not arise, would they?

Mr. BROWN. As far as the operation of the yards is concerned, I can say that I do not think that in actual operation it would make any material difference whether the railroads owned the yards or whether other interests owned the yards; but I still contend that if you do anything to divorce the buying power from any public market, you are going to injure that market.

Mr. STEPHENS. You do not think this bill contemplates that, do you?

Mr. BROWN. I think this bill—from the psychology of this bill—that would be the ultimate effect.

Mr. STEPHENS. Mr. Brown, if the carriers should take over the stockyards, can you conceive of there being any reason in that act why the packers should not still operate in the stockyards just as they do now?

Mr. BROWN. If they are not interested in them, what particular interest would they having in buying there?

Mr. STEPHENS. They would still want to buy cattle, would they not?

Mr. BROWN. They can buy cattle in the country just as well as in Chicago or in Omaha or in Kansas City.

Mr. STEPHENS. Then, as I understand you, it is their profit in the yards that makes them patronize the yards.

Mr. BROWN. It might be.

Mr. STEPHENS. Are you familiar with this report which the Federal Trade Commission has made?

Mr. BROWN. I have not read it all. I have read parts of it, Congressman.

Mr. STEPHENS. On page 95, or beginning on page 94 of this report, there is an appeal to the packers alleged to have been signed by 74 commission firms in Chicago. Were you one of the commission firms that signed that, Mr. Brown?

Mr. BROWN. If the firm of Brown, St. John & Co. is in that list, I was.

Mr. STEPHENS. I do not know whether their signature appears here or not. It appears to have been a secret appeal made to the packers.

Mr. RAYBURN. Just what is it?

Mr. STEPHENS. I do not know. I have not read it. It was an appeal to the packers against unfair discrimination. Now, what I wanted to get at, Mr. Brown, was whether those difficulties which the commission men complained of were real. You have not read the report?

Mr. BROWN. No; I do not remember the particular page.

Mr. STEPHENS. It says here on page 95:

One of the complaints they make is that for some time past actions have been witnessed on the part of the large purchasers of live stock that seem to be unfair and unjust, and time and time again undue advantage has been taken of the sellers of all kinds of live stock. There is apparently no good reason why the buyers representing the large packing interests should refuse to go out and bid on and try to buy stock until a late hour in the forenoon, as has been the custom for the past several years, and in many instances until after the noon hour.

Then, various other complaints are made on down through the list here. Of course, I apprehended we are all agreed that there are a great many faults that ought to be corrected there, and I am wondering whether you have any opinion as to how those things can be corrected.

Mr. BROWN. Well, on your reading of the first part of that so-called document, which was signed by 74 commission firms, on the lateness of the buying, I do appreciate and I know from actual experience that the commission man and the producer have been very critical of the packers for delaying their buying; but in the fall of the year, November and December, when the hog receipts in Chicago reached around 1,000,000 a month, and the packer knows that the market is on its down grade, there is no question but what he is going to buy to the best of his ability, and the independent buyers, other than the Big Five, use the same tactics that the Big Five do. So it is a question from day to day as the days go on, and they may buy cheaper on the 15th of the month than they can on the 10th, and they figure the hog market is going down, the provision market is breaking, and the export demand is falling off, and they are simply playing the market.

Mr. STEPHENS. I should judge from this appeal that you made to the packers, Mr. Brown, that you are convinced that these packers

control the market; otherwise it would not be necessary for you to make the appeal.

MR. BROWN. I think it is the general belief that to a certain extent the packers do control all of the large packers. I personally do not know the stockholders in any market. I have never seen a public list of the stockholders in any of the large live-stock markets.

MR. STEPHENS. Now, here is the last paragraph of the appeal:

We, as commission merchants, are not seeking for any favor or looking for any advantage for ourselves. All we desire is the same fair and square treatment that we have given you for the last 40 years, but we believe that you owe it to yourselves and to us, as well as to the producer of live stock, to use your great influence to strengthen and build up the public live-stock markets of the country and to improve your standing in the estimation of the live-stock community of the United States.

Now, that is a very high, patriotic, and unselfish appeal. Did you sign that, Mr. Brown?

MR. BROWN. I do not know unless my name is attached to it. I do not remember. What is the date?

MR. STEPHENS. The date is Chicago, Ill., April 11, 1916, and it is addressed to the packers, and is signed by 74 commission firms of Chicago, alleged to be 74 out of the 86 commission firms of Chicago, the appeal representing practically the unanimous verdict of these business men. As the big packers are the commission men's largest customers this accusation would not have been made except with grave provocation.

MR. BROWN. I will be perfectly frank in saying that I sympathize with the latter part of that communication as you have read it. There is no question but what the packers have done things they should not have done. I am not defending them. I am not holding any brief for the packers.

MR. STEPHENS. I do not understand that you are. I understand that you are speaking for the exchange.

MR. BROWN. Yes, sir.

MR. STEPHENS. And for the stock yards interests.

MR. BROWN. Yes, sir.

MR. STEPHENS. And I think we are all vitally interested in the interest in the spirit of that paragraph.

MR. BROWN. Yes, sir.

MR. STEPHENS. Which I have just read that your colleagues prepared and presented to the packers, and I think we all want to find a solution, if we can, and I think the way to find it is for all to be as frank as we can.

MR. BROWN. Absolutely.

MR. STEPHENS. In seeking that solution?

MR. BROWN. Yes.

MR. STEPHENS. You have no suggestion to make as to a statute that would help the situation. You think we are absolutely at the mercy and dependent upon the good will of the packers; or is there some legal way in which we can control the situation so as to create competitive markets?

MR. BROWN. As I said before, all commission men would welcome some supervision or control that would control everybody, and not only live-stock commission men, but every exchange in every line of food products, if that arrangement was fair and just; for instance, along the line of bank examiners. A bank examiner will

examine the accounts of a bank. If there is anything wrong found, he will report it to his controlling body. We are perfectly willing to go under that supervision, but we want everybody to go under it. We do not want the live-stock industry singled out.

Mr. STEPHENS. Do you think that the power to control the market in the hands of private interests is a good thing for the common welfare of the country? The producers are at the mercy of the five buyers; ought there not to be some step taken to correct that situation? This is a specific case. We can not correct all the evils in the world at one time, but this is one which has been brought to our notice now. What can we do to relieve the situation?

Mr. BROWN. I am, of course, talking on this bill, and you have a set of facts before you. In the main, the big five packers are the biggest buyers in the principal live-stock markets in the country. That is a fact which exists, and, personally, I do not know how you could improve upon the buying of people who are interested as the packers are in the live-stock business. They should be interested just as much as the producer in encouraging the raising of live stock. It seems to me it would be suicidal for them to do anything that would reflect in any way on the producers or on any branch of the industry; and while this fact exists, I do not believe that you can divorce the greatest buyers either in live stock, coffee, sugar, fruit, or anything else, from any one of these markets and throw them out and benefit that particular line of industry.

Mr. STEPHENS. Mr. Brown, you do not think this bill contemplates throwing the packers out of this market, do you?

Mr. BROWN. It would have that ultimate effect, yes. If they leave the market to any extent—if they leave the big markets of the country 10 per cent of their buying, it would destroy the buying power in that market just that much. It would prevent the producer from getting just that much competition.

Mr. STEPHENS. You would not take the position that we have got to discriminate against other buyers in order to induce the packers to buy in these yards, would you?

Mr. BROWN. I would not. I think you are all fair-minded men. You want to know the points in this case, and I thought in bringing out this point I might have brought out a point which had not been brought out before.

Mr. STEPHENS. Do you not think that if the yards are absolutely free, owned by the railroad which has no interest whatever in the people who trade in those yards, that the best interests of all concerned would be conserved. Suppose the packers do go to the country and buy. A great many people will not go to the country, and a great many cattle will come to the markets. I do not think you could ever get the farmer to sell his cattle in the country as long as there is a market in Chicago.

Mr. BROWN. They are doing it by the hundreds of thousands now, Congressman.

Mr. STEPHENS. Well, I presume so to some extent. But does that not increase competition?

Mr. BROWN. That decreases the competition in the big markets.

Mr. STEPHENS. But does it not increase the competition in a general way?

Mr. BROWN. I think it decreases it in the country because if Armour's buyer goes down into a certain section of Illinois, Swift's buyer won't go down there and run up the prices.

Mr. STEPHENS. But the Chicago market is still open and the producer knows what the price is in Chicago, and this buyer has got to convince him that it is better for him to sell in the country than in Chicago, or otherwise he will ship to Chicago.

Mr. BROWN. But I am thinking of the point, Congressman, which I tried to make clear before, that if Armour is buying 1,000 cattle in the country every day he is buying just that many less cattle in Chicago or in the other markets, and that is withdrawing that competition from that market.

Mr. PARKER of New Jersey. Mr. Brown, you are a commission merchant, are you not?

Mr. BROWN. Yes, sir; we are sellers for the farmers and producers in the country. We get all our business from them.

The CHAIRMAN. You are brokers or commission men?

Mr. BROWN. Yes, sir.

The CHAIRMAN. How much commission do you get under the rules of the exchange?

Mr. BROWN. It varies from \$12 a car for cattle up to \$15 a car, and for hogs from \$10 to \$12, and for sheep \$10.

Mr. PARKER of New Jersey. On an average, about what per cent is that?

Mr. BROWN. That is less than one-half of 1 per cent on the value of the stock.

Mr. PARKER of New Jersey. Are there any other country products, for instance, milk, sold in Chicago on an exchange?

Mr. BROWN. I am not sure about milk, but all produce is sold by commission merchants in Chicago.

Mr. PARKER of New Jersey. On exchanges in Chicago?

Mr. BROWN. Well, I think they have exchanges, but they are sold out of their own booths or their own shops, and that sort of thing.

Mr. PARKER of New Jersey. You do not know of any milk being so sold?

Mr. BROWN. No, sir; not personally.

Mr. PARKER of New Jersey. Can you state whether or not the farmer who disposes of milk without an exchange gets anything like the proportion of the selling price in Chicago that he gets for meat?

Mr. BROWN. I can not.

Mr. PARKER of New Jersey. The complaint in olden times when milk was cheap, I remember in New York, was that the farmer got 8½ cents a quart when it was distributed at 8 cents a quart in the city, and the wholesale price was 6 cents, and it was complained that the farmer did not get more on account of the lack of an exchange. You do not know anything about that?

Mr. BROWN. No; I do not.

Mr. BARKLEY. Mr. Brown, can you explain briefly the operation of the Chicago Live Stock Exchange?

Mr. BROWN. As to the selling of live stock?

Mr. BARKLEY. In its dealings as between the farmer and the purchaser of the stock. For instance, explain briefly the process by

which any given shipment of cattle, through the medium of your exchange, reaches the packer.

Mr. BROWN. Well, take a concrete example: Say, J. C. Hill, of Adel, Iowa, consigns two loads of hogs to Brown, St. John & Co. over the Chicago, Milwaukee & St. Paul. They reach the chutes of the Union Stock Yards Co. and are unloaded, and taken from the chute either by the stockyards company or by Brown, St. John & Co.'s employees, placed in pens which are allotted by the stockyards company to each individual commission firm; and Brown, St. John & Co., the commission man, then solicits the different buyers for bids on these hogs, and after Brown or some one of the salesmen for that concern receives a bid that they consider is the highest market price which they can obtain for that load of hogs they sell them to any one of the 10 or 15 packers in Chicago, or the eastern shippers, or whoever might be the highest bidder. The hogs, after they have been fed and watered, are then driven over the scales and weighed to the buyer. The buyer usually pays for that stock the same day. For instance, if they were sold to the Comstock Packing Co., of Providence, R. I., their buyers would give us a check for them. We would deposit that check in the bank, and we usually make the remittance for the stock the same day to the producer in the country. I think that terminates that part of it.

Mr. BARKLEY. As I gather from your answer, the Union Stock Yards Co., and the Chicago Live Stock Exchange, are two entirely separate and distinct organizations.

Mr. BROWN. Absolutely; yes, sir.

Mr. BARKLEY. Is the Union Stock Yards Co. a part of the Live Stock Exchange?

Mr. BROWN. No, sir.

Mr. BARKLEY. Do all the commission merchants in Chicago who are in the live-stock business belong to the Live Stock Exchange?

Mr. BROWN. No, sir.

Mr. BARKLEY. What proportion of them belong to it?

Mr. BROWN. Practically everybody. There is one organization which has recently come in there representing a farmers' cooperative body that are not members of the Chicago exchange.

Mr. BARKLEY. Is that live-stock exchange a corporation; is it incorporated?

Mr. BROWN. It is incorporated under the laws of the State of Illinois, not for profit.

Mr. BARKLEY. It has stockholders?

Mr. BROWN. Only as far as the memberships go. They hold membership in the exchange.

Mr. BARKLEY. Do you know whether any of the packers have a membership in the Live Stock Exchange?

Mr. BROWN. I think they did, originally, but I do not think any of them personally belong to the exchange now. There may be one or two of them; but if they do, I do not know.

Mr. BARKLEY. Do you know whether any of the members of the exchange own stock in the packing companies?

Mr. BROWN. Not to my knowledge; no, sir. There may be people that might buy Wilson common for an investment, thinking it might advance, but that practice is only a speculative practice, and I do not

know how extensive it is. We would not know of that because that would be an individual transaction.

MR. BARKLEY. Do you know whether any members of the Live Stock Exchange own stock in the Union Stock Yards Co.?

MR. BROWN. Not so far as I know. I do not know of one who owns any.

MR. BARKLEY. I believe you said the Union Stock Yards Co. is not a part of the exchange?

MR. BROWN. Yes, sir; I did.

MR. BARKLEY. Your commission is based upon the number of carloads and not upon the value of the property?

MR. BROWN. Yes, sir.

MR. BARKLEY. So that the amount of compensation which you receive does not depend upon the price the hogs bring?

MR. BROWN. No, sir; we wish it did. We wish we were selling on a 1 per cent basis on a 2 per cent basis, like grain and other produce is sold, because we would be earning a lot more money.

MR. BARKLEY. Does that same rule apply to cattle?

MR. BROWN. Yes, sir.

MR. WINSLOW. I would like to ask the gentleman if he represents any interest at all except the commission men?

MR. BROWN. No, sir.

MR. WINSLOW. Do you happen to know whether or not during the last two or three years the producers have been satisfied with their profits?

MR. BROWN. I think I can say without fear of contradiction that they have been better satisfied with the returns on their live stock in the last two or three years than they ever have been before.

MR. WINSLOW. Are you close enough to the transaction to know why they have been able to get a better profit?

MR. BROWN. Yes, sir; I think I am.

MR. WINSLOW. Would you be willing to state that?

MR. BROWN. I think the buying power which has come into all of the markets because of the immense orders for beef and provisions for war purposes brought a competition that resulted in higher prices in all branches of live stock.

MR. WINSLOW. Have we the right to infer from what you say that previous to this two or three year period that such competition has not existed?

MR. BROWN. No, sir; that competition has always existed there to my knowledge.

MR. WINSLOW. What were the controlling reasons then, before this recent period of prosperity, for the continuance of a less satisfactory condition.

MR. BROWN. I think that a state of war in any neutral country always brings higher prices for the food products that are sold to the combatant countries.

MR. WINSLOW. In approaching this bill, would you feel that the committee ought to bear in mind the condition of the war period or disregard them, and as far as possible go back to what we might term normal conditions?

MR. BROWN. Well, I think if I were on the committee I would try to look at the proposition from a normal basis.

Mr. WINSLOW. On that assumption, have you in mind the situation well enough previous to the war to give us a suggestion as to why producers were not making a proper market profit?

Mr. BROWN. Only in this fact, Congressman, and that is that there are years of overproduction. There are years when the corn crop will fail and the farmer instead of fattening his stock in the fall, as he usually does, will ship it, and that in turn produces a shortage of live stock later on, and the prices will advance.

Mr. WINSLOW. Can you conceive of any legislation which would change such a condition?

Mr. BROWN. No; I can not. I can not conceive of any legislation in relation to any food product that would help the prices or help the producer.

Mr. WINSLOW. Wherein then is the complaint of the producer of too little profit if he is regulated by the same general law of demand and supply that every other business men is regulated by?

Mr. BROWN. Well, I think that the farmer is a natural pessimist. I do not think he ever thinks he is getting quite enough for his live stock, and not only for his live stock, but for his grain and his poultry, and butter and eggs. He always thinks he ought to get more money.

Mr. WINSLOW. Am I right in assuming, as a deduction from what you say that your opinion is that the remedy, if there is one, must be worked out by the producers or the farmers or both?

Mr. BROWN. I do not know that I just got that.

Mr. WINSLOW. I do not blame you. You have said, as I remember, that you think the ordinary laws of demand and supply control the business and regulate the profits of the producer and the farmer.

Mr. BROWN. I absolutely think so, not only in the live-stock business but in every other business. It has got to reach that basis.

Mr. WINSLOW. And on that general supposition, you base your idea that legislation is impossible to increase the profits of the producer and the farmer?

Mr. BROWN. I do not know of any instance where legislation has helped it any.

Mr. WINSLOW. I think you said you could not imagine any.

Mr. BROWN. No, sir; I can not.

Mr. WINSLOW. Now, one more question, and of course, I realize that we are getting on candid ground when we talk about the relations between you gentlemen and the packers. Do you feel yourself, as an individual, that the producers and farmers have been abused by the packers by virtue of their power in the market?

Mr. BROWN. I think there has been times when the packers have taken advantage of market situations, and bought live stock as cheap as they could buy it, which has been very severely criticized by producers, because the producers have lost money, but I think that condition prevails in any other line of market activity on any line of food product.

Mr. WINSLOW. But as you put it, you would not say that the packer has exerted undue might and strength on the market in trying to buy as cheaply as he could, if there were no consideration beyond that?

Mr. BROWN. Oh, I would not exactly say that. I think that the packers have taken advantage of situations.

Mr. WINSLOW. Just how does that work out?

Mr. BROWN. As I stated to one of the other Congressmen, when they know that there is a great incoming flood of live stock, and it is going to come for two or three or four months, because of a drought condition of affairs, or because of any oversupply in the country, they absolutely do buy stock as low as they can buy it. I do not think any one of us if we were in the packing business would not do the same thing.

Mr. WINSLOW. Assuming that, you say they buy as low as they can?

Mr. BROWN. Yes, sir.

Mr. WINSLOW. That, I think, we will all grant is proper and natural, but have you known of their applying their weight and their power as purchasers in the line of a conspiracy or otherwise to drive down prices below the normal trend of prices in the market?

Mr. BROWN. No; I do not know that. I do not know of any act of conspiracy which the packers have been connected with. They may have been connected with many of them, but personally, of my own knowledge, I do not know.

Mr. WINSLOW. You feel, as I understand you, that a man who was buying pig iron, if he saw a similar situation in the pig iron market, would buy it as cheaply as he could, if he had the money?

Mr. BROWN. I think it is human nature to do that.

Mr. WINSLOW. And do I understand you to say that in the same sense and in no other sense, you think the packers have bought as cheaply as they could?

Mr. BROWN. Yes, sir; that was my thought.

Mr. MONTAGUE. Mr. Brown, in giving an explanation of your business, especially as evidenced by the concrete example which you gave, I infer that you are altogether a commission merchant in the ordinary sense.

Mr. BROWN. Yes, sir.

Mr. MONTAGUE. Is the live stock exchange of Chicago wholly a commission merchants' exchange or is it an association of commission merchants?

Mr. BROWN. All of the commission merchants in Chicago but one are members. There are representatives of eastern buying concerns, and there may be one or two members that are buyers for packers, but 95 per cent of the membership are commission merchants.

Mr. MONTAGUE. I just want to get clearly in my own mind whether the exchange which you speak of has any similarity to cotton exchanges or stock exchanges. Do you sell only the physical product or do you sell the difference between the prices in the rise and fall of markets?

Mr. BROWN. We sell only the physical product. We have no options.

Mr. MONTAGUE. You differ then in that respect from the other exchanges?

Mr. BROWN. Yes, sir.

Mr. MONTAGUE. And you do not sell options?

Mr. BROWN. None whatever.

Mr. MONTAGUE. And do you not sell the difference in prices on account of the rise and fall of the market?

Mr. BROWN. No, sir.

Mr. MONTAGUE. You sell the actual, physical meats?

Mr. BROWN. Absolutely.

Mr. MONTAGUE. Or buy them whatever it may be?

Mr. BROWN. Yes, sir.

Mr. MONTAGUE. This may have been developed heretofore, but for my own information I would like to know how much of the market is consumed in purchases made by the five big packers?

Mr. BROWN. Do I gather from your question, Congressman, that you mean what percentage of the live stock is bought?

Mr. MONTAGUE. Yes, sir.

Mr. BROWN. I should say that would vary from 60 to 70 per cent.

Mr. MONTAGUE. Does it ever go as high as 80 or 90 per cent?

Mr. BROWN. There may have been such instances, but I think the yearly average will show nearer 65 per cent.

Mr. MONTAGUE. Do you think that if the five large concerns, buying on an average 65 per cent of the total product, if they desired in pursuance of an understanding between them, could fix the price, the market price of the stock so purchased?

Mr. BROWN. Well, on your presumption, particularly on a declining market, and on burdensome receipts which could not entirely be cleared, I think that could be done, yes, sir; I think they could arrange, if they wished to, among themselves, so that their buying power would be distributed in the manner you indicate. I am not assuming that they do do that, but that might be done.

Mr. MONTAGUE. Do I understand they have the power to do it, but whether they exercise that power you do not know it yourself?

Mr. BROWN. No, sir; I do not.

Mr. DILLON. Mr. Brown, are you a member of the Live Stock Association?

Mr. BROWN. I am a member of the Chicago Live Stock Exchange.

Mr. DILLON. Now, do you have rules and regulations governing this association?

Mr. BROWN. Yes, sir.

Mr. DILLON. Have you a copy of them?

Mr. BROWN. No, sir; I have not now, but I can furnish them to this committee, however.

Mr. DILLON. You will furnish a copy of the resolutions of that organization for the use of the committee?

Mr. BROWN. Yes, sir.

Mr. DILLON. Now, this association provides what commissions shall be allowed to commission men?

Mr. BROWN. Yes, sir.

Mr. DILLON. And every commission man that is in that organization has agreed to abide by those resolutions—those rules and regulations—I mean?

Mr. BROWN. Yes, sir.

Mr. DILLON. You are not permitted to vary those commission rates?

Mr. BROWN. No, sir.

Mr. DILLON. If you did you would be expelled, would you not?

Mr. BROWN. Why, I think we would be suspended and ultimately, if we continued, we would be expelled.

Mr. DILLON. And penalized?

Mr. BROWN. Yes, sir.

MR. DILLON. There is no competition so far as commissions are concerned in that organization?

MR. BROWN. No, sir.

MR. DILLON. Do you likewise buy and sell—do both?

MR. BROWN. Yes, sir.

MR. DILLON. Now, if you buy from a farmer his stock you get a commission of course from that farmer?

MR. BROWN. Yes, sir.

MR. DILLON. Now, when you sell to some institution you also get a commission?

MR. BROWN. Let me explain that process. For instance, we do not buy for the farmer, unless we are buying for feeding purposes, and the farmer, for whom we buy the stock for that purpose, takes it back to the country and feeds it, and then, perhaps anywhere from three to six months afterwards, or a year, that stock will come back, and we in turn, or some other commission man, sell it.

MR. DILLON. You would sell it to whom?

MR. BROWN. To a packer or an eastern shipper. Do I make myself clear?

MR. DILLON. I am not speaking of dealings of that kind; but suppose a farmer should bring in 10 car loads of stock and selected you as his commission man; now you sell that stock for him, do you?

MR. BROWN. Yes, sir.

MR. DILLON. And you get a commission on it?

MR. BROWN. Yes, sir.

MR. DILLON. Now, do you get any commission from the man that your are buying for?

MR. BROWN. If we go out into the open market and buy stock for some one of the farmers or producers we get a commission; yes, sir.

MR. DILLON. I am not talking about that, but about one and the same transaction.

MR. BROWN. Oh, no; we can not get double commissions.

MR. DILLON. You do not get double commissions?

MR. BROWN. Oh, no, sir.

MR. DILLON. This association, as I take it, is composed of two sides, and it is an association that every commission merchant is a member of except one.

MR. BROWN. I think so. I do not think there are any more who are not members.

MR. DILLON. Now, as to the packers, they each have representation upon that board or association?

MR. BROWN. No, sir; they do not have any representation.

MR. DILLON. You do not think so?

MR. BROWN. No, sir; I am speaking as far as I know, Mr. Congressman.

MR. DILLON. There are commission men in that association who represent the packers?

MR. BROWN. No, sir; not to my knowledge.

MR. DILLON. Who buy for the packers?

MR. BROWN. No, sir.

MR. DILLON. You do not think so?

MR. BROWN. No; not for the Chicago packers, or any of the Big Five.

MR. DILLON. You do not think any of the commission men—

Mr. DECKER (interposing). May I interrupt you there? There are no buyers belonging to the exchange; they are just sellers.

Mr. DILLON. No; they are likewise buyers.

Mr. BROWN. Answering this gentleman over here, I will say there may be representatives of some of the eastern shippers.

Mr. DECKER. In your exchange?

Mr. BROWN. Yes, sir; that are buying. And there are one or two packer buyers—

Mr. DECKER (interposing). Can they sell, too?

Mr. BROWN. Do you ask, can they sell?

Mr. DECKER. Yes.

Mr. BROWN. Well, they do not.

Mr. DECKER. What are they doing in your exchange?

Mr. BROWN. We have no rule that necessitates every member of the exchange being a seller.

Mr. SANDERS. It is a live-stock exchange?

Mr. BROWN. Yes, sir.

Mr. DECKER. I will finish that, since I have started on it. The packers can join your exchange if they want to?

Mr. BROWN. Yes, sir.

Mr. DECKER. Now, that is all I wish to ask at this time.

Mr. DILLON. But the commission men do not act for the packers?

Mr. BROWN. No, sir.

Mr. DILLON. Therefore the packers are acting independently?

Mr. BROWN. Absolutely.

Mr. DILLON. And independently of this association?

Mr. BROWN. Yes, sir.

Mr. DILLON. Now, another question: Can a farmer ship a trainload of stock into Chicago and sell it upon that market?

Mr. BROWN. Yes, sir.

Mr. DILLON. Could you be a bidder and follow the rules of your association?

Mr. BROWN. Yes, sir; we could buy. Let me explain just where the commission man comes into the buying, usually: He usually buys stock to enable the farmer to take it back into the country for feeding purposes. We do not buy but very little, practically not one-half of 1 per cent. All our transactions are live stock (that is to be slaughtered).

Mr. DILLON. I have no reference to that kind of transaction. Here is a farmer in my State who ships a trainload of cattle into Chicago. Now, must he hire a commission man in order to sell that trainload of cattle?

Mr. BROWN. He must not.

Mr. DILLON. He doesn't have to do that?

Mr. BROWN. No, sir.

Mr. DILLON. What yardage can he hire without paying a commission man in order to get the facilities of the yard?

Mr. BROWN. Well, I doubt if he would have any trouble. I think the stockyards company would furnish him yard pens where his stock could be sold, perhaps just as well as though they were shipped to a commission merchant.

Mr. DILLON. That farmer could not put his cattle in the assignment of pens made to you, could he?

Mr. BROWN. I do not know that I understand that question.

Mr. DILLON. I say, that farmer could not put his cattle into the assignment of yardage that had been made to you?

Mr. BROWN. Oh, in my pens?

Mr. DILLON. Yes.

Mr. BROWN. Well, only on the permission of the commission merchant. If the commission merchant wanted to relinquish some of his selling pens to this farmer, he could have those pens.

Mr. DILLON. Otherwise not?

Mr. BROWN. I do not think it would be human nature for us to be working against ourselves and encourage shipments of live stock as long as we are in the commission business; I mean shipments to be sold in that way.

Mr. DILLON. You would expect the commission privilege if the farmer occupied your pens?

Mr. BROWN. We would try to get it.

Mr. DILLON. Otherwise he wouldn't get the pens, would he?

Mr. BROWN. He might, but I do not think he would.

Mr. DILLON. That is true of all commission men?

Mr. BROWN. I think it is.

Mr. DILLON. What part of the yards are assigned to the common public, where a farmer may ship in his stock and himself sell it?

Mr. BROWN. Oh, I think there are probably hundreds of pens that the stockyards company would allot to any farmer, or group of farmers, who wanted to ship cattle in there.

Mr. DILLON. I am not speaking of groups of farmers, but the individual farmer.

Mr. BROWN. The individual farmer does not ship in his stuff.

Mr. DILLON. He does not?

Mr. BROWN. There is not one case in 10,000 where the individual farmer wants to ship in his stock and sell it himself.

Mr. DILLON. Do you know of any instances in which an independent farmer shipped his stock in there and sold it himself?

Mr. BROWN. I could not cite their names at this time, but there have been in the past instances of farmers who shipped them in.

Mr. DILLON. But you can not give a single instance of that kind now?

Mr. BROWN. Not without going back into the records.

Mr. DILLON. That is not the practice of any farmer?

Mr. BROWN. No, sir.

Mr. DILLON. So far as shipments by himself are concerned?

Mr. BROWN. No, sir.

Mr. DILLON. So he is practically forced to pay a commission for the sale of his stock?

Mr. BROWN. I would not say "forced." He considers it to his advantage. The man who is out in the country does not know anything about market values. There is a range in value on cattle, and cattle will sell all the way from \$5 a hundred up to \$19 a hundred, and the farmer in the country very naturally does not know the value of his own product.

Mr. DILLON. It has been frequently stated, and has come to the actual knowledge of some farmers in some sections of the country who have shipped to Sioux City market, that they found only one bidder, and in one case after one bid had been made and accepted, a

man stood around there and watched his stock, and found the appearance of five representatives of the big packers, and they divided the purchase into five parts, and his stock was driven away by the representatives of the packers. Did you ever hear of any transaction of that kind?

Mr. BROWN. I have heard of them but I do not know of them in my own experience.

Mr. DILLON. You have never noticed anything on the Chicago market of a procedure of that kind?

Mr. BROWN. No, sir.

Mr. SANDERS. A thing of that kind would be too crude for Chicago.

Mr. BROWN. I would say so.

Mr. DILLON. How many buyers do Swift & Co., for instance, have upon that market?

Mr. BROWN. Well, they have seven or eight hog buyers in the different hog divisions. Counting their steer buyers and their butcher cattle buyers I presume they have 20 to 25 cattle buyers in Chicago.

Mr. DILLON. Are those buyers well known by you commission men?

Mr. BROWN. Yes, sir; we know them by their first names, the most of them.

Mr. DILLON. You know every one of them?

Mr. BROWN. Yes, sir.

Mr. DILLON. When they appear later in the day and become bidders, do you bid against them?

Mr. BROWN. Well, Mr. Congressman, on 95 per cent of the stock that commission men sell or handle, we are the sellers.

Mr. DILLON. Yes, you are the sellers.

Mr. BROWN. If there was occasion for our going into the market and buying a bunch of feeders we would bid against them if they were bidding on feeders.

Mr. DILLON. Now, for the first hour or two there they do not bid against you because they are not there; is that right?

Mr. BROWN. They bid against each other, that is, the different packers do, on stock we are selling.

Mr. DILLON. They bid against each other only?

Mr. BROWN. Yes, sir; I have had as high as twenty-five different bids in Chicago on one load of live stock.

Mr. DILLON. Have you ever observed whether one packer was selling to another packer?

Mr. BROWN. No, sir.

Mr. DILLON. You do not think that instances of that kind occur?

Mr. BROWN. No, sir.

Mr. DILLON. As to the live stock association or exchange, what is the membership fee in it?

Mr. BROWN. The membership fee at the present time, if the membership is bought directly from the exchange, is \$1,500. But the last sales of memberships in that exchange ranged from \$1,200 to \$1,300.

Mr. DILLON. Could you sell, under your rules and regulations, without the approval of the board of directors of the association?

Mr. BROWN. Sell our membership, do you mean?

Mr. DILLON. Yes.

Mr. BROWN. The membership would have first to receive the approval of the membership committee, the same as in any club or any exchange that I know of. I think they have all the same machinery.

Mr. DILLON. So you have about the same machinery as these wheat buying exchanges have in that regard?

Mr. BROWN. Yes, sir; I think so.

Mr. DECKER. Do I understand you that so far as the facilities furnished by the stockyards company anybody can ship their stock there and sell it?

Mr. BROWN. Yes, sir.

Mr. DECKER. And it is the question of whether they know enough about the business to sell it to advantage?

Mr. BROWN. Yes, sir.

Mr. DECKER. How long have you been a stock salesman?

Mr. BROWN. I think I started as a salesman in 1891.

Mr. DECKER. In other words, as I understand you, if you happened to quit the business you are now in, and would go out and go into the stock business and feed a large bunch of cattle or hogs, with your knowledge of the commission business, you could get on the train, take this stock down there, and sell them about as well as if you were in the business?

Mr. BROWN. As far as all of the machinery in the stockyards is concerned I could do that; yes, sir.

Mr. DECKER. And you would be provided, you think, by the stockyards company with facilities just as fairly as the men who are doing business there regularly?

Mr. BROWN. I think it would try to treat me fairly and give me as good pens as they could, and that I would have good pens to sell that stock in.

Mr. DECKER. I want you to be frank, and I do not mean by that that you are not frank, but explain to me and to the committee in what way the stockyards company could discriminate against you if they wanted to. Just take the other side of it and try to explain to us how they could be unfair and discriminate if they wanted to.

Mr. BROWN. Well, if my stock came in to the chutes—say I had a train load of 10 cars of cattle, and they came into the chutes and were unloaded, the stockyards company could delay the yarding of them. They might find it difficult, if they wanted to, to find pens to yard them in. As to feeding, they might delay that some, the furnishing of hay. The stockyards company furnishes hay, and the commission man does the rest. That is, if I were selling my own cattle I would have to water them and sell them, and when they were sold I would have to drive them onto the scales.

Mr. DECKER. Is there much choice about those pens? Is there any part of the yard really more favorable to the selling of stock than other parts of the yard?

Mr. BROWN. Well, I think some commission merchants think certain locations in the stockyards at Chicago are better than others. But the buyers for the different concerns, both packers and shippers, visit all the pens as far as the actual selling ability of the location is concerned, and, therefore, I do not think there is much advantage in any one location over another in the Chicago stockyards. The buyer knows where the pens are; for instance, Wood & Bros., or Clay-

Robinson, or Brown, St. John & Co. pens are, and he knows that he will find cattle there, and before he completes his purchases he usually visits these pens.

Mr. DECKER. Your business is built up on the theory that you are rendering service to the producer and doing work for him that he hasn't the time to attend to himself, or with his limited amount of that kind of work that he has to do, it wouldn't pay him to learn all that you know in order to handle it?

Mr. BROWN. I think we are a type of what is called personal service. We are experts in our particular line. We know the value of live stock from the cow that sells down to \$5 up to the fancy fat steer that sells up to \$1,985, and the farmer in the country knows that we know more about that matter than he does, and can get more money out of his product than he can, and he is perfectly willing to pay the commission, which is infinitesimal, in the passage of the stock through the machinery as it goes through the different channels. That is, through the packer, the commission man, the wholesaler and the retailer in to the consumer. The farmer knows that the commission man gets less than any other one branch of that business for handling the stock—one-half of 1 per cent—which is the smallest commission that is paid any commission man in the United States in any line of product. And, as a matter of fact, we are not getting one-half of 1 per cent.

Mr. DECKER. Now, your clientele, or whatever you call them, some of them have been with you a great many years.

Mr. BROWN. Yes, sir; we have men shipping to us who have shipped to us for 25 years.

Mr. DECKER. Are you the head of your firm?

Mr. BROWN. Yes, sir.

Mr. DECKER. Where did you come from when you went to Chicago?

Mr. BROWN. From Oneida, Ill.

Mr. DECKER. Were you in the stock business there?

Mr. BROWN. I came to Chicago when I was 2 years old. My father was a live-stock dealer and a grain buyer.

Mr. DECKER. You are the head of your firm now?

Mr. BROWN. Yes, sir.

Mr. DECKER. As you go along with your business, do you try to pick up men from out in the different parts of the country that know farmers and have acquaintance with them?

Mr. BROWN. Do you mean new customers?

Mr. DECKER. No; I mean men who work for you in the selling end of the business. You do not do all the selling yourself?

Mr. BROWN. Oh, no. Yes; wherever we see a good, steady, live wire of a young fellow in the country that we think will make a good salesman, we try to hire him.

Mr. DECKER. And he gets in touch with the farmers that he knew before he came to town?

Mr. BROWN. Yes, sir.

Mr. DECKER. If you should mistreat one of these farmers, and I do not mean intentionally, but if he did not get as much for his stock as he thought he ought to get, you would hear from that either directly or through that fellow that came from that part of the country?

Mr. BROWN. Yes, sir; and the farmer usually ships the next time to another commission man.

Mr. DECKER. And tries him out.

Mr. BROWN. Yes, sir.

Mr. DECKER. And usually he doesn't do much better and finally comes back to you.

Mr. BROWN. That is the ultimate procedure, I think.

Mr. DECKER. That is, if you had not been at fault in the business.

Mr. BROWN. Yes, sir.

Mr. DECKER. We talked a little while ago about potentiality for control of the market by these big packers. There is a potentiality resting in you commission men, at least for a while, to do injustice to these producers if you wanted to do it?

Mr. BROWN. I can say, and I think I am speaking for every commission man in the United States in the live-stock business, that we are doing everything we possibly can to get the highest price for live stock out of the man who buys it.

Mr. DECKER. I was thinking about the potentiality of it. If it were not for the proposition that honesty is the best policy, and that you can not keep up a business for 25 years except it be an honest business, a commission man could go in there, at least for a while, if he had the confidence of the producer, and play in with the other side, just like a man can in any other commission business.

Mr. BROWN. That, of course, might happen if the man was a crook, but he wouldn't last long in that business, Mr. Congressman.

Mr. DECKER. Well, I don't think so either. But is there anything in your association providing for, or does this organization sort of look after that kind of business.

Mr. BROWN. Absolutely.

Mr. DECKER. Would your organization expel a man or suspend a man for unfair dealing with his customers?

Mr. BROWN. We have done so repeatedly.

Mr. DECKER. You have?

Mr. BROWN. Yes, sir.

Mr. DECKER. You said that there were sometimes men in your exchange whose business it was to sell, or that that was mainly the business, but that they did buy?

Mr. BROWN. Yes, sir.

Mr. DECKER. Have you any men in your exchange that buy exclusively; that is, that do nothing but buy?

Mr. BROWN. Yes, sir.

Mr. DECKER. Well, they do not of course hold themselves out to be commission men.

Mr. BROWN. They are commission buyers. They are buying on commission the same as we are selling on commission.

Mr. DECKER. Oh, I see. What I am trying to get at is this: Is there anybody there who holds himself out both as a buying commission man and a selling commission man?

Mr. BROWN. While we do call ourselves selling commission men we will also take orders to buy, 99 per cent of our buying orders are buying for feeding purposes, for the producer, who is probably our customer when that live stock becomes fat and he ships it back to market.

Mr. DECKER. What is there to keep you, except your honor, from taking live stock that is consigned to you as a selling merchant, and

transferring it directly to the man who is giving you orders to buy for feeding purposes or for any other purpose?

Mr. BROWN. Well, in some live stock exchanges, there are rules that prevent that.

Mr. DECKER. Well, it would be dangerous there, wouldn't it?

Mr. BROWN. Yes; because it gives the opportunity for a man, if he was a crook, to take advantage of the situation. I could hardly say, if he was selling for one customer and buying for another customer, which customer he was going to play favorites with.

Mr. DECKER. Well, that would be the question, and it is not generally considered good policy for a man to be representing both sides of any proposition.

Mr. BROWN. No, sir; we do not believe in it.

Mr. DECKER. I wondered if you had rules to prevent that?

Mr. BROWN. Yes, sir.

Mr. DECKER. In other words, if you were getting consignments of stock every day there, would you and do you sell that stock right out upon the open market; and if you have any buying orders, do you go out into the open market and buy? That is what I am getting at.

Mr. BROWN. Yes, sir; absolutely.

Mr. DECKER. Is there anything in the rules of your organization to require you to do that?

Mr. BROWN. Yes, sir; there is in the Chicago Live Stock Exchange.

Mr. DECKER. Another thing that occurs to me: Of course, your market, you claim, is open, and you commission men are competing against each other, but what are the facilities, or what are the opportunities, for other commission men to go into the business? Is it hard to get into that business? Or, I do not mean is it hard to make a success of it, but is it hard to make a try at it?

Mr. BROWN. No, sir; anybody who has \$1,200 or \$1,300 and who pass the membership committee can become a commission merchant, and they are doing it every day.

Mr. DECKER. Well, can a man be a commission merchant without belonging to your organization?

Mr. BROWN. Yes, sir; but they do not think it advisable. They want the benefits of our rules and of our general organization.

Mr. DECKER. Your organization, then, you think has the confidence of producers? Is that the reason why these men want to join it?

Mr. BROWN. Absolutely. The exchanges of the country have the confidence of the producers to-day more than ever before in their history. We have fought the battles of the producers. We have fought practically every railroad rate raise. We go into congressional hearings for the benefit of getting bills enacted to eliminate tuberculosis and any other thing that may happen to come up that we think will benefit the producer, and we not only go and work personally and individually, but we try to obtain the best talent in the country to work for the producers, because the ultimate effect on the confidence that the exchanges will have with the producers by our doing so is a good thing for us.

Mr. DECKER. Your only objection to the Government owning or controlling these yards, or, I may say, your main objection thereto is that you are afraid the conduct thereof will not be efficient and

that the Government will not give you the facilities for doing the business that you now have; is that your main objection?

Mr. BROWN. That is the main objection.

Mr. DECKER. And in addition to that, with that matter about the packers?

Mr. BROWN. And believing that the producers feel the same way about it that we do, which we know to be the case. If you could be in my position at the Union Stock Yards and listen to the flood of abuse that is now going on against the railroads because of their failure to deliver stock into the Union Stock Yards in the way it used to be delivered you would think that Government ownership would be a very bad thing to favor.

Mr. MONTAGUE. And they get a higher price for delivering it, too?

Mr. BROWN. Yes; 25 per cent more than when they took over control.

Mr. DECKER. With your knowledge of conditions to-day, not that I want to argue that point with you, you would not consider the conditions in the railroad business as of to-day a fair test of Government ownership, would you, on account of the abnormal conditions existing?

Mr. BROWN. Well, I will concede that they have had abnormal conditions confronting them, but I do not believe if they were all competing against each other the way they were before there would be as much independence among the lay help of the railroad companies in the handling of trains and general facilities.

Mr. SWEET. Now, Mr. Brown, you said that you thought if this bill were enacted into law it would have the tendency to destroy the markets at Chicago; that is, that it would interfere with the markets there by driving the packers out of the market in a measure and possibly that the packers would send buyers to the country.

Mr. BROWN. I said that; yes, sir.

Mr. SWEET. Now, isn't it true that the packers now have buyers out in Iowa, Minnesota, Nebraska, and other States?

Mr. BROWN. Yes, sir; it is.

Mr. SWEET. Do you know to what extent they have buyers there?

Mr. BROWN. I do not know what percentage of their total buy is bought in the country, but at the present time I do not think it is a material factor.

Mr. SWEET. And the tendency to increase the number of buyers in the country for the packers would tend to eliminate commission firms at Chicago, would it not?

Mr. BROWN. Well, I think I can say it would reduce their business.

Mr. SWEET. Now, is it not true at the present time that commission firms have buyers out in Iowa, Nebraska, and other States?

Mr. BROWN. No, sir.

Mr. SWEET. Is it not true that in every town in Iowa where there is a railroad station there are local buyers of stock?

Mr. BROWN. That is true; yes, sir.

Mr. SWEET. And those buyers are not necessarily producers but are known as hog buyers and cattle buyers?

Mr. BROWN. Yes, sir.

Mr. SWEET. Is it not also true that these local buyers represent some commission firm in Chicago?

Mr. BROWN. That is not true; no, sir. They may ship and do ship to some commission firm in Chicago, or to any other large market, but they absolutely do not represent them.

Mr. SWEET. You mean by not representing them that they are not in their employ?

Mr. BROWN. They are not in the employ of the commission men nor have the commission men any interest in them, no financial interest; the commission men earn no part of their profits.

Mr. SWEET. But you do deal with them?

Mr. BROWN. Absolutely.

Mr. SWEET. And you deal with these buyers in these towns rather than with the farmer himself?

Mr. BROWN. No, sir.

Mr. SWEET. Now, a large portion of your business is received from the buyers, isn't it?

Mr. BROWN. I think at the present time fully 50 per cent of the stock coming into Chicago comes directly from the producer himself, and we try to sell just as high for the producer as we do for the buyer in the country. If we did not—

Mr. SWEET (interposing). Isn't this true: That the farmers out in Iowa, Nebraska, and Minnesota very seldom raise a full carload of stock; no one farmer?

Mr. BROWN. I think you are wrong about that, Mr. Congressman. I think there are more farmers now who raise and feed a carload of hogs, or anything from a carload of cattle up to 10 carloads than ever before in the history of the country.

Mr. SWEET. That is probably true, but isn't it also true that these buyers at these towns gather together stock and ship it in to the commission firms in Chicago?

Mr. BROWN. Yes, sir.

Mr. SWEET. In addition to that, they receive their profit from the difference in the market price at which they buy the stock and the price at which the commission firms sell the stock?

Mr. BROWN. Yes, sir.

Mr. SWEET. So they take out their profit after buying the stock in the manner you have just testified to, and you take your commission for the sale of the stock to the packers or other buyers at Chicago?

Mr. BROWN. Yes, sir.

Mr. SWEET. Now, do you have any way of indicating to those buyers in the country the price that they should pay for stock?

Mr. BROWN. We very often are asked by them to wire them changes in the market. For instance, a 10 to 25 cent advance in the hog or cattle market, or a 10 to 25 cent drop.

Mr. SWEET. Isn't it your custom each day to send wires out to these buyers making your suggestions or making statements in regard to the price at which hogs will probably sell on the market.

Mr. BROWN. No; it is not now, for the reason that the Western Union and the Postal Telegraph services furnish three markets a day of that nature, which the buyer can obtain by paying \$5 to \$10 a month, so that commission men do not do that any more.

Mr. SWEET. But the commission men furnish the information?

Mr. BROWN. No, sir.

Mr. SWEET. Who furnishes that information?

Mr. BROWN. I think the Bureau of Markets largely, to the telegraph companies. The Bureau of Markets will furnish information on the market to anybody that wants it.

Mr. DECKER. That is the Government Bureau of Markets under the Department of Agriculture?

Mr. BROWN. Yes, sir.

Mr. SWEET. That is under war conditions.

Mr. BROWN. It is the Bureau of Markets.

Mr. SWEET. At the present time it is under the food supply bill.

Mr. BROWN. Yes, sir.

Mr. SWEET. That is a condition that has grown up during the war.

Mr. BROWN. Well, it existed before the war. I do not know whether it is under the food act or not.

Mr. SWEET. Before the war the commission men did furnish this information to the buyers in the country, did they not?

Mr. BROWN. Very largely. We would quote them declines and advances in the market.

Mr. SWEET. And from information that they received from you they determined the price that they would pay farmers for their stock.

Mr. BROWN. From the information that they received or from the market papers. There are daily live-stock market papers that quote practically every sale that is made. They quote the markets and these people get this information the next day. That is really the basis of the market.

Mr. SWEET. Now, then, you said that if this bill were enacted into law it would interfere with the markets there.

Mr. BROWN. That is my opinion.

Mr. SWEET. In other words, you feel that the packers would go out and purchase their stock direct from the local buyers in the various towns, or from the farmers direct, and that in a measure would eliminate commission firms, and by the elimination of commission firms it would destroy the market of the farmer? That is, he would not have the facilities for the sale of his products such as he has now.

Mr. BROWN. He would not have the present competition. The stockyards would be there; but the buyer, in my opinion, would not be there.

Mr. SWEET. So you do not suggest any legislation then as necessary to remedy the situation at the Chicago stockyards?

Mr. BROWN. No; I could not suggest any legislation that would remedy that, and I believe that this legislation would be a fatal mistake in the matter of the handling of live stock for the farmers and producers in this country.

Mr. SWEET. That is all I care to ask.

The CHAIRMAN. You may proceed, Mr. Sanders.

Mr. SANDERS. I want to ask a question, Mr. Brown, along certain lines I am somewhat interested in myself; I was interested in that portion of your testimony where you seemed to fear that legislation may perchance do away with the market at Chicago and at other central points, and force the user of cattle to go out in the country and buy, or that the individual buyer would do so.

Mr. BROWN. Yes, sir.

Mr. SANDERS. And you are of the opinion that that condition will work to the detriment of the producer?

Mr. BROWN. Yes, sir.

Mr. SANDERS. Now, in that connection I would like to ask you with reference to this situation: If that is a fact, and I do not dispute it, isn't it true that with perishable products raised upon the farm that the farmer has found it very much to his advantage not to ship to commission merchants, but has found that he gets very much better prices and better treatment by selling direct to the buyer, at the depot, for instance? For instance, down in my country we raise a great many vegetables, a great many strawberries, and we used to ship them to Chicago to commission merchants, and they reported that those strawberries and other perishables were selling so low that people were figuring on going out of business. Then they got in another condition to sell it, whereby the buyer came direct to the country and located on the railroad, where the produce was brought in, and there bought it and paid cash for it, and under that condition our farmers have been more prosperous. Why wouldn't the same argument apply as to live stock? Why could not live stock be sold to better advantage the same as vegetables and strawberries and fruits?

Mr. BROWN. Well, I contend that the farmer who feeds a drove of cattle, and who feeds perhaps only one drove a year, and into that drove of cattle he puts all his corn, everything practically goes into that drove of cattle, or that drove of hogs, that he should have more competition than one buyer.

Mr. SANDERS. Down in my country, we find that we have competition in these railroad towns for the fruits, that we raise, and they are shipped to Chicago, where you gentlemen seem to think they should go, but we have gotten infinitely better results from local buyers than we did when these things were shipped to commission merchants.

Mr. BROWN. Well, in that respect I am not acquainted with farm produce or the fruit business, and do not know anything about it.

Mr. SANDERS. I do not say it is to the detriment of the cattle producer, but I am just trying to see if you can differentiate between too few people as you suggest the situation as we have found it.

Mr. BROWN. Strawberries, fruit and vegetables, and all that sort of stuff is perishable, and will spoil inside of 24 hours, but cattle and hogs will not.

Mr. SANDERS. No; of course fruit and strawberries and other vegetables are more highly perishable than cattle, and still they all belong to the perishable class. Isn't it a fact that if the buyer went out into the country and bought, and if that were done to the extent of 100 per cent, then the commission merchant would be like Hamlet with the Prince of Denmark left out.

Mr. BROWN. I will say so.

Mr. SANDERS. He would be *non est*.

Mr. BROWN. But there is a distinction I want to make there, Mr. Congressman: There is a grading of cattle and hogs that is established in the markets. There is a contention between buyer and seller in the work of the public markets. As I have said before, cattle will sell from \$5 a hundred up to \$19 and \$20 a hundred, and the man in the country does not know what his stock is worth. He

does know what his strawberries are worth, and he knows what his cabbages are worth.

Mr. SANDERS. When we shipped our strawberries to market they were all graded very low, I mean when they reached Chicago. Now, we have local buyers and they grade it very high.

Mr. BROWN. That may be. I do not know about the organization of commission men in Chicago handling produce, although I have heard a lot of criticism of them.

Mr. SANDERS. The experience in my section has been that the local buyer of what we raise is infinitely preferable, both in result and price, than to ship to commission merchants. I was just wondering whether or not the same condition might not work out in the cattle market.

Mr. BROWN. I do not think the producer would stand for the same conditions. He wants competition.

Mr. SANDERS. Isn't this true: That if I ship my hogs; for instance, and I raise some few, if I ship my hogs to market, you, as my representative will do the very best you can for me—and I say that every commission merchant as a rule does so under the existing conditions. But don't I have to sell my hogs at what they will bring in that yard or else pay the freight back to my farm.

Mr. BROWN. I didn't catch that question?

Mr. SANDERS. Don't I have to sell my hogs which I send you, and don't you have to sell my hogs, once they get into that yard, at the very best price you can get for the hogs?

Mr. BROWN. Yes, sir; we do.

Mr. SANDERS. In other words, I can not keep them there and feed them.

Mr. BROWN. Well, you can not do so profitably after a certain age and a certain amount of fat is on the hogs.

Mr. SANDERS. That is what I mean.

Mr. BROWN. Yes, sir.

Mr. SANDERS. I have the two alternatives, or you have as my representative, to accept the best offer made or ship them back to me upon my farm.

Mr. BROWN. Yes, sir; or to possibly ship them to some other market if you wish them shipped there.

Mr. SANDERS. Whereas if I keep my hogs on the farm and the local buyer comes to me and offers me a price that is not satisfactory, I have the option of telling him I won't take it.

Mr. BROWN. Yes, sir.

Mr. SANDERS. In so far as that is concerned, the local buyer would be an advantage to the farmer?

Mr. BROWN. Well, not for me. I should think if the local buyer bid you a price which you did not like you have the chance to get what you think will be a higher price, and probably will be, by shipping it direct.

Mr. SANDERS. I can say to the local buyer, I will not take your price, and I can keep my hogs upon my farm.

Mr. BROWN. Yes, sir.

Mr. SANDERS. But if I ship my hogs in to you you must sell them at the very best price you are offered.

Mr. BROWN. Yes, sir.

Mr. SANDERS. So I find the seller and producer have no option once they get into the stock yards.

Mr. BROWN. No, sir.

Mr. STINESS. In regard to the question as to the various steps in your business, Mr. Brown, you said that after the cattle had gotten into the pens, it was your business to go out and get bids for them?

Mr. BROWN. Yes, sir.

Mr. STINESS. Now when you go to get bids, do you go to the representatives of the packing houses to get bids?

Mr. BROWN. Yes, we go to any buyers. He may be a speculator; he may be a packer's buyer; he may be an Eastern shipping buyer. We try them all. We try to get the best price we can.

Mr. STINESS. Do you go to the packers?

Mr. BROWN. Yes, sir.

Mr. STINESS. And do you go to the different representatives of the different packing companies?

Mr. BROWN. Yes, sir.

Mr. STINESS. Do you find that the price they bid is the same all through?

Mr. BROWN. No, sir. It is seldom, if ever the same.

Mr. STINESS. And you also said that you had customers that dealt with you for 25 years?

Mr. BROWN. Yes, sir.

Mr. STINESS. Who consigned product to you. Don't you also have people who buy of you regularly? You sell to certain people right along, do you not?

Mr. BROWN. Yes.

Mr. STINESS. And they are as much customers as those that consign to you?

Mr. BROWN. Well, they don't pay us anything. The customer in the country pays his commission, but the packer, we don't get anything out of him. There is no earning capacity there.

Mr. STINESS. You don't have any orders than to buy for a packing concern, or something of that kind, five cars of cattle, for instance?

Mr. BROWN. No, sir.

Mr. STINESS. You haven't any such order as that?

Mr. BROWN. No, sir.

Mr. STINESS. How much difference then do you find in the bids between the various big packers, so-called?

Mr. BROWN. Well, that will vary, but I have known a great many instances where they would vary from 25 to 50 cents a hundred on hogs; and they would vary from 50 cents to a dollar a hundred on cattle—different buyers of the different packing concerns.

Mr. STINESS. From your experience in buying and selling in the market with these packers, is there any evidence to your mind that there is a combination to pay a certain price for the product?

Mr. BROWN. No, there is no evidence, as far as we can see.

Mr. STINESS. That you feel sure that you are not wasting your time if you go from one packer's representative to another to get bids?

Mr. BROWN. Yes, sir.

Mr. STINESS. That is all I care to ask.

The CHAIRMAN. Mr. Brown, you seem to have reached the conclusion, from the way you began your statement to day, that this was primarily a Government ownership bill?

Mr. BROWN. Well, I arrived at that, Congressman, from—

Mr. STINESS (interposing). I don't say how you did it, but now the bill is not upon that theory alone. It has been explained by those who sponsored it here that there are three propositions involved in it. One is to restore competition, so far as possible, by affording the same facilities upon the same terms to all shippers of the same kind of products; the other—if that should not be thought to be sufficient—that there should be a license issued or required to be issued to all dealers; packers, a license and regulation through license, making the conditions upon which they might do this business as interstate commerce. The third and last, that if this was not thought sufficient, the Government should own the stockyards and cars, the cattle cars—I mean the refrigerator cars. The theory is that it is preferable to take the stock cars, the refrigerator cars, away from any packer or any private owner, and force the railroad companies to own them and operate them free alike to all packers; and in addition thereto that the railroad companies should own all the stockyards, being a terminal facility and a public facility subject to Federal regulation.

Mr. BROWN. So I understood.

The CHAIRMAN. That is what is contemplated, as I understand it, by the sponsors of the bill, as more desirable than Government ownership, and that Government ownership is only to be a last resort in case these should fail, or that Congress in its wisdom should think it better to own them than to force the railroads to own them. That, I want to say, is what I understand to be the scope of the bill, and its primary object is not to force Government ownership.

Mr. MONTAGUE. Mr. Chairman, with great respect for your statement of the bill, I would not have the witness understand that that is the opinion of all the members of the Committee—at least, certainly, it is not my own.

The CHAIRMAN. I said the "sponsors" of the bill.

Mr. MONTAGUE. So far as I understand, the very first section, not the third and last alternative, provides for absolute acquisition and ownership of these things.

The CHAIRMAN. But it doesn't make it compulsory.

Mr. MONTAGUE. It gives the Government the power to do these things.

The CHAIRMAN. Undoubtedly, the Government would not expect to license itself if it expected to own them, so the very license feature itself would show at once—would require the railroad companies to own and operate the special facility cars and the stockyards, and that provision could not possibly apply to Government ownership.

Mr. MONTAGUE. I did not mean to enter into any argument but I do not wish this witness, a very prominent gentleman to understand that the interpretation of the bill by the Chairman is the interpretation entertained by all the members of the Committee.

The CHAIRMAN. I do not wish to do that. I say the sponsors of the bill. I am not classing you as one of the sponsors of the bill.

Mr. PARKER, of New Jersey. I want to call attention to the fact that there is one very great doubt as to what is intended, because we do not know exactly what terms, and what strict terms, may be put in those licenses.

The CHAIRMAN. That the Committee and Congress can determine. Now I only want to ask Mr. Brown a very few questions for my own information.

What is the name, the designated name or title of the stockyards at Chicago?

Mr. BROWN. The Union Stock Yards & Transit Co.

The CHAIRMAN. The Union Stock Yards & Transit Co.?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Who owns the Union Stock Yards & Transit Co.?

Mr. BROWN. I don't know. I have heard, but I don't know of my own knowledge.

The CHAIRMAN. Well, it is owned by a New Jersey corporation, isn't it?

Mr. BROWN. I think so.

The CHAIRMAN. And the New Jersey corporation is, in turn, owned by a Maine corporation, isn't it?

Mr. BROWN. Well, you are telling me news there. I personally don't know who is the owner of the stockyards.

The CHAIRMAN. And the Maine corporation is owned by whom?

Mr. BROWN. I don't know that either.

The CHAIRMAN. What interest, if you know—how much interest—I don't mean to a dollar's worth or anything of that sort—what interest do the five great packing companies, with which you are familiar, own, directly or indirectly, through themselves or others, or corporate control, the stockyards, the Union Stock Yards in Chicago?

Mr. BROWN. I personally don't know that any packer owns any interest in the Chicago stockyards, other than the testimony that was given in connection with the Heney investigation, which claimed that Armour & Co. had acquired a certain percentage of the stock of the stockyards.

The CHAIRMAN. In an indirect way, I suppose.

Mr. BROWN. Yes. I don't think, from all I can learn, that there is any other packer who has any interest in the Union Stock Yards.

The CHAIRMAN. But I understood you to say that if the Government owned those yards, that the probabilities were that the five big companies would not operate through the yards, would not buy there, and would go out and buy independently.

Mr. BROWN. I think their buying power in the Union Stock Yards, if the packing ownership or part ownership was eliminated, would have a tendency to cause them to go into the country and buy direct.

The CHAIRMAN. Whether the Government owned them or whether the railroads owned them?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Or anybody except as it is now?

Mr. BROWN. Unless they have an interest in the proposition.

The CHAIRMAN. Unless they have a financial interest in the financial prosperity of the Union Stock Yards?

Mr. BROWN. Yes, sir.

The CHAIRMAN. That then they would not patronize them?

Mr. BROWN. I didn't say they would not patronize them; I think they would gradually decrease.

The CHAIRMAN. But by buying elsewhere. It couldn't decrease unless they decreased their business?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Then you do admit and claim that it is a decided advantage to a packer to own or to have an interest in the stockyards in which he buys?

Mr. BROWN. I did not claim that for the packer; I claim it is a distinct advantage for any of the large markets to have a packer interest in that market.

The CHAIRMAN. I am talking about stockyards only.

Mr. BROWN. I am talking about stockyards.

The CHAIRMAN. Isn't a stockyard, so far as it is physically concerned—I don't mean the market facilities and opportunities of commission men to buy and sell like yours—but in so far as it physically takes care of the cattle shipped in and shipped out, is not that essentially a terminal service?

Mr. BROWN. Well, I think it should be so construed; yes, sir.

The CHAIRMAN. Then isn't it natural and proper that the transportation company—the railroad company—should furnish its own terminal service, in so far as the terminal features go?

Mr. BROWN. Theoretically, I think it is; practically, I don't think it is. I don't think it will work out.

The CHAIRMAN. Now, then, if it is a good thing for the railroads to shift their burden, their responsibility, in Chicago, and not own the stockyards, so far as terminal facilities are concerned, then they should not own them anywhere? If it is practically a bad thing—theoretically good and practically bad—what is the reason that it wouldn't apply all the way through with any kind of a stockyard anywhere?

Mr. BROWN. I personally think that the producer, the commission man, anybody who handles live stock will get better service from a stockyard organization that has to deliver goods and has to furnish all facilities, than they would if it was coupled up with some railroad company.

The CHAIRMAN. Then wouldn't that run through the whole railroad problem, that all terminal facilities—I mean terminals where goods of any kind are shipped or stored temporarily—wouldn't that same principle and practically the same reason apply to all products as well as cattle and hogs?

Mr. BROWN. I think there is a distinction between live and dead products; dead freight and live freight.

The CHAIRMAN. Well, there is, no doubt, in practice, but what there is a difference. In principle, I can't see any difference in saying the railroad shall own all of its terminal facilities but may not own these facilities in parts.

Mr. BROWN. I don't think the railroads would hire the big men that are in control of the stockyards—that is, are in the official capacity of running the stockyards. I don't think they would pay the salaries and get the ability that is necessary to organize and furnish the service and facilities that the stockyards require.

The CHAIRMAN. In other words, they wouldn't spend that much money?

Mr. BROWN. No, sir.

The CHAIRMAN. And, therefore, they would not have as great a claim or absorb as great an amount of the value of the live-stock business as it now done.

Mr. BROWN. It is a business peculiar to itself, I think; that is what I am trying to convey to you.

The CHAIRMAN. Don't the consumer and the producer, together, have to stand all and every profit and charge made upon any portion of that business, in the last analysis?

Mr. BROWN. I think in the last analysis it does work out that way, Mr. Sims.

The CHAIRMAN. Then, if a railroad company can get this service done for less money, so far as the terminal features of it are concerned, then there will be that lightening of a burden upon the producer and consumer to that extent, would there not?

Mr. BROWN. I don't think they can get it.

The CHAIRMAN. You said they would not give as much.

Mr. BROWN. They would not give as much, and, therefore, the people would not get the service.

The CHAIRMAN. Why wouldn't they give as much, if it is worth it?

Mr. BROWN. They don't do it.

The CHAIRMAN. If it would add to their business, why wouldn't they give it?

Mr. BROWN. For some reason or other, they would not do it. They run stockyards now.

The CHAIRMAN. Not at Chicago?

Mr. BROWN. No; they run the Buffalo stockyards.

The CHAIRMAN. Where else do they run and operate any great stockyard?

Mr. BROWN. I understand they run the stockyards at Buffalo. In all of these so-called concentration points they have stockyards that they run or lease.

The CHAIRMAN. As a rule they do not. Isn't that correct?

Mr. BROWN. They do not run any great big stockyards.

The CHAIRMAN. We have just had an instance here where the Pennsylvania Railroad Co. had leased its stockyards in Jersey City for a period, and the lease ran out. It re-leased them, and were offered as much as \$50,000 a year by one packer, and for some reason or other they afterwards took \$25,000 from another packer and let it go at that. Now I don't want to be unjust or enter into a controversial question, because I know that you are certainly competent to answer any questions that any of us can answer, and so far as I am concerned I accept your answers as being absolutely candid, and you certainly know, or ought to know, what you are talking about, and as there is another witness coming on, while I would like to go into a very extended inquiry, because I think you can furnish the information we need from the standpoint that you occupy, I will refrain from it.

Mr. ESCH. Just one question has occurred to me. It has been stated in this report of the Federal Trade Commission that one of the instrumentalities of the packers in aiding them in dominating

the field was the ownership and control of banks located within the stockyards limit, such as you have in Chicago.

Mr. BROWN. Yes, sir.

Mr. ESCH. That the ownership and operation of such banks within stockyards limits would imply the exclusion of other banks in a certain zone beyond the stockyards, and that it gave them an undue advantage. Now, you as a commission merchant would know the effect of such ownership and control by the packers of such banks; what have you to say about that?

Mr. BROWN. What is the question? Do I know whether there is ownership by packers of banks?

Mr. ESCH. No; what is the effect of such ownership, and does it give them any particular advantage?

Mr. BROWN. Well, it does not in Chicago, because there are so many banks that, for instance, if the two banks of the Chicago Stockyards should not offer the facilities on loans or in service, we could go right down town to twenty or thirty other banks. It does not apply at Chicago; it does at some other markets, but I have never heard of an instance where the banks, either the packers through the banks or the banks themselves, have shown any discrimination on loans; have shown any discrimination against a producer or against the commission men, because of any act that they might not approve of. Is that answering your question?

Mr. ESCH. Yes; that is part of the question.

Mr. DOREMUS. Mr. Brown, it is quite evident that you are conscientiously opposed to this bill because you believe that it will tend to destroy the livestock market.

Mr. BROWN. Yes, sir.

Mr. DOREMUS. I am not quite clear as to the reasons for your belief. For instance, this bill provides, among other things, that the packers shall operate under a license from the Federal Government.

Mr. BROWN. Yes, sir.

Mr. DOREMUS. Now is there anything in that which, in your opinion, would tend to destroy the livestock market?

Mr. BROWN. That is the license feature?

Mr. DOREMUS. Yes.

Mr. BROWN. No; I don't think there is.

Mr. DOREMUS. You are operating under a license now, aren't you?

Mr. BROWN. Yes, sir. I don't think that they really object to that. I think we all look at that more as you would look at the bank examiner examining the accounts of a bank; and if he finds anything wrong he reports it.

Mr. DOREMUS. And from your point of view you discover nothing harmful in the proposed license system as embodied in this bill?

Mr. BROWN. Only as a general criticism. It seems to me that if any part of the—or all of the—livestock industry should be put under license, that all industries handling food products should be licensed.

Mr. DOREMUS. Then you feel that to single out the packers and subject them to a license system would work a discrimination against them?

Mr. BROWN. Well, I feel the same way about them that I feel about the commission men, if we were singled out and were the

only branch of the live-stock industry that was put under license. It would look as if there were some reasons for going under license; that we had to be watched, that there was something going on.

Mr. DOREMUS. Well, you say "we." Of course I am referring now to the packers, and you are operating entirely independent of the packers?

Mr. BROWN. Absolutely.

Mr. DOREMUS. But at the present time you can not point out anything that would be particularly harmful to the packing industry as a whole by requiring them to operate under a license system?

Mr. BROWN. No, sir; I can not.

Mr. DOREMUS. Now the bill also provides, among other things, that the United States may acquire and operate stockyards, refrigerator cars, specially equipped cars, under the provisions of this act. Now what is there in that that would be particularly harmful to the packing industry?

Mr. BROWN. Why, first, on refrigerator cars—I am not an expert in that distribution end of the business; I have nothing to do whatever with the packing business, but if at present the refrigerator cars were placed under absolute railroad jurisdiction, as against the owning of these refrigerator cars by packing, the distribution would be almost cut in two; that is, that the facilities would be immediately decreased. I think you gentlemen all know that the percentage of operation on refrigerator cars shows, on packer-owned refrigerator cars, about, say, 78 per cent of the handling of the cars in transit from the point of origin to the point of destination. The refrigerator cars owned by the railroads, for some reason or other, are not operated to over about 38 or 40 per cent of efficiency. That is one objection I have.

Mr. DOREMUS. Supposing they were operated under the control of the Government, as provided in this bill, and not by the railroads at all. In other words, let us assume that this bill becomes a law and that the President proceeds under the authority conferred by it to acquire all of the refrigerator cars in the United States; what would be the condition of affairs then?

Mr. BROWN. I think that as far as distribution, the facilities, the efficiency in handling cars is concerned, it would immediately deteriorate.

Mr. DOREMUS. And what is the ground for that opinion?

Mr. BROWN. Well, the only comparison I have to make is the way they are handled now.

Mr. DOREMUS. The way they are handled now? Aren't they handled now by the same men that handled them before the Government took control?

Mr. BROWN. As I understand it, the packers all have traffic experts. They know just exactly what train these beef or refrigerator cars are going out on; they make those schedules; they are hired and given salaries anywhere from \$8,000, \$10,000 to \$15,000 a year to facilitate transportation; to use all of the knowledge that they have in their possession to move those cars to the greatest possible efficiency. The independent cars, the refrigerator cars, owned by the railroads have no such group of experts looking after them.

Mr. DOREMUS. But so far as the physical work of moving the cars and the trains that move this live stock to Chicago, and move out any product, is concerned, it is in the same hands that it was before?

Mr. BROWN. You make that statement. I don't know whether it is or not.

Mr. DOREMUS. I am putting it in the form of a question.

Mr. BROWN. If it is in the same hands, they certainly are not operating as efficiently as they did before.

Mr. DOREMUS. Well, if they are not operating as efficiently as before, what reason would you assign for that?

Mr. BROWN. I have my own reason. I think that the labor unions that control the different zones of activity in the service of railroads feel that they are not working for an industrial concern. They are working for the Government and they will come pretty nearly doing as they damn please; and if anybody kicks, the common response is, "Take it up with McAdoo."

Mr. DOREMUS. Don't you think—

Mr. BROWN (interposing). Instead of taking it up with the division superintendent or general superintendent or president of the road.

Mr. DOREMUS. I suppose that you will agree that the division superintendent, the yardmasters, and the different men connected with the railroad organizations have been trying to give the Government as good service during the war as they did before?

Mr. BROWN. I have some doubt about that. I think almost all employees—that is, of the Government employees in the railroads, for instance, from the division superintendent up, would like to see the railroads get back under individual ownership.

Mr. DOREMUS. Well, I think that is true of some of them. We are interested in this question, I might state, Mr. Brown, because we have sometime got to pass on the question of what we are going to do with the railroads. Now have you given any considerable thought to the question of whether these delinquencies and the want of efficiency that you have observed during the last year or year and a half, are due primarily to abnormal conditions growing out of the war, or to the fact that they are now under Government operation?

Mr. BROWN. Well, the morale of the average railway employee, in my opinion, distinctly deteriorated when the railroads went under the control of the Government.

Mr. PARKER of New Jersey. Might I ask a question there? I want to ask, when you speak of a license, you mean simply a license to do business and to keep accounts, do you? Or do you mean a license which would provide, for instance, that no person who had a license as a packer should own any separate cars for himself, because that provision might go into the license.

Mr. BROWN. Well, I don't know what the provisions of the license would be, but on the uniform license, that would not carry anything further than the investigation or penalization of a license fee for having done something wrong, or not having done something. I don't think any branch of the live-stock business would object to such a license.

Mr. PARKER of New Jersey. No; but I am talking now about the person who drew these licenses. Suppose the commission that

drew these licenses thought it right to provide that no packers should own any refrigerator cars; that they should all be owned by the railroads; that no packers should have any interest in any stockyards, but that they should all be owned by the railroads, etc., what would be the effect of that?

Mr. BROWN. I think that any such feature, any licensing clause that did anything to effect the ownership of the refrigerator car lines by the packers, would hurt the distribution of meats; that in turn would back up on the live-stock market and would hurt the buying power, and eventually it would hurt the producer.

Mr. PARKER of New Jersey. Don't you think that legislation—or at least action—is needed to make the railroads furnish equal facilities for all refrigerator cars?

Mr. BROWN. Yes, sir; I approve of that.

Mr. PARKER of New Jersey. What would you provide, that they should be run on express trains or run on passenger trains, or how would you do, establish schedules, or how would you do it?

Mr. BROWN. I would provide for that by seeing that the independently owned or railroad-owned refrigerator car lines were given every facility that the packer-owned car lines were given.

Mr. PARKER of New Jersey. And what would be the form of that, legislation or simply an action of the railroad management to see that that was done, in holding them strictly to their duty to give equal facilities?

Mr. BROWN. I think the legislation would help. The other would follow, I think.

Mr. PARKER of New Jersey. That is all I have to say.

Mr. SWEET. Mr. Chairman, I have one question that I would like to ask.

The CHAIRMAN. We are doing all this at the expense of Mr. Houx.

Mr. SWEET. You stated that was a representative of the farmers' associations there engaged in the live-stock business, the selling of live stock.

Mr. BROWN. Yes, sir.

Mr. SWEET. Do you know what association that is?

Mr. BROWN. I can't state the exact name. It is called an "Equity Live Stock Shippers Association," I think.

Mr. SWEET. Do you know whether the American National Farmers Cooperative Association of Nebraska has ever made application to your organization for admission?

Mr. BROWN. They have not; not since I have been president of the Chicago Live Stock Exchange, and not to my knowledge previous to that.

Mr. SWEET. That is all I have.

The CHAIRMAN. Just one question, Mr. Brown. You have stated, and in pretty emphatic terms, and I suppose you know—or think you know—what you are talking about, that the ordinary railway operation since the railways have been in the hands of the Government has been very inefficient and has deteriorated?

Mr. BROWN. I think it has.

The CHAIRMAN. Now, I suppose you also know that it is a fact that during this period of operation the railroads have delivered more tons of freight, have made more ton-miles than they ever did before in the history of the country for the same length of time.

Mr. BROWN. And they have run their trains at less mileage per ton than they ever have done before.

The CHAIRMAN. But transportation is the movement of property and persons, it is not, from one place to another, and if they have done more of that moving in the same time, under all the handicaps of war, do you feel that you are warranted in saying that a state of paralytic inefficiency has existed during this period of time?

Mr. BROWN. I don't wish to criticise any branch of the Government in a state of war, but the facts exists. I am merely speaking of facts.

The CHAIRMAN. But if they are doing more service and doing it in the same length of time, moving more persons and property than they ever did before in a like period of time, how can you consistently charge inefficiency? We judge them by their fruits.

Mr. BROWN. Because, I think, they could have been operated more efficiently than they have been.

The CHAIRMAN. And could have delivered more?

Mr. BROWN. Yes, sir.

The CHAIRMAN. And then these railway officials that have been operating the railroads for the Government in time of war, have not exercised that patriotic motive that sent men to the battle line, and they have not operated these railroads as efficiently as they would if private capital had been getting the reward?

Mr. BROWN. You are saying that. I am not saying it.

The CHAIRMAN. I was talking about the conclusion. We are very much obliged to you. We will now hear Mr. Houx.

STATEMENT OF MR. EDWARD W. HOUX, OF KANSAS CITY, MO., PRESIDENT OF THE KANSAS CITY LIVE STOCK EXCHANGE.

Mr. HOUX. Now did you want a statement from me, Mr. Chairman?

The CHAIRMAN. Proceed in your own way to make your own statement, Mr. Houx.

Mr. HOUX. I want to be brief, and I will say that I don't agree with Mr. Brown in every particular.

Some months ago, when the Federal Trade Commission made their report to the President, the National Chamber of Commerce wired to Washington that the report was irregular, or something of that sort, and the Kansas City Live Stock Exchange, through its director, thought they were taking them into their own hands a little, and we passed a resolution unanimously, by the directors of the Kansas City Live Stock Exchange, upholding the report of the Federal Trade Commission as a whole, not specifically of course, and on that ground we are on record. We can not go back on that.

I have not read the bill here. I did get a copy of it yesterday afternoon, but we were very busy yesterday and I have not read the bill. Now, in some respects, I have no doubt it is a splendid bill, but in one point I think I will have to take issue. That would be the ownership of the stockyards. We are on record as the National Live Stock Exchange asking the Government to divorce the stockyards from packer control and also from railroad control. Some of the stockyards in the country are owned by railroads at the terminal stations. We thought that their service was inefficient; we felt that

the packers owning the stockyards in some respects was detrimental to the trade as a whole, because where packers owned the stockyards, for the most part, they prorated the profits around among themselves; they would naturally discriminate against other packing companies coming into that yard and establishing themselves; they would discriminate against these independent packing houses coming, in the way of not letting them participate in the rendering plants and other privileges that go along with the ownership of stockyards. And inasmuch as the commission men and exchanges were for the service of the producers all over this big country, we thought it would be in the interest of our producers to protest against this packer control. Now we stand on that. We haven't any row to make with the packer; we deal with him every day; we would like to enlarge the facilities of the stockyards, bring in more packers, bring in more buyers and get the highest dollar for our customer's products every day of the year; and our duty and interest is to work for the producer of this county, day in and day out, without favor to any man living. And in that respect we probably run counter to the packers' interest.

I want to be brief in this matter, and I believe that is all I have to say in my opening statement.

The CHAIRMAN. Now do any members of the Committee wish to ask any questions of Mr. Houx?

Mr. PARKER of New Jersey. Why don't you want the railroads to have them?

Mr. HOUX. Well, sir, one reason that we don't want the railroads to have them, we don't believe they would give efficient service. We have found that the railroads are very slow in delivering live stock—miserably so. They hold these cattle in the terminals many times four hours or five hours, until they get a great big drag of one hundred cars before they pull them in. Now whether if they owned the yards that would expedite matters or not we don't know, but we have found railroad efficiency before the war and during the war lax. They are immense institutions, and personally I would rather the Government would own the stockyards absolutely than to have the railroads own them. I would much rather we would have independent stockyards, separate and apart from any packer interest or commission man interest, or anybody else's.

The CHAIRMAN. Or transportation interest?

Mr. HOUX. Yes, sir; absolutely free of anything. Then competition between the stockyards would bring about efficiency. If the packers owned them all, they are not interested in the efficiency. If the railroad corporation would own them all, even regulated as it may be after the war—I am not predicting what would happen, but I am quite sure our efficiency will fall down terribly. And, last of all, I would object to the railroads owning the stockyards as terminals.

The CHAIRMAN. What would you think about the municipalities owning them; say, Chicago owned hers and Kansas City owned hers?

Mr. HOUX. That would be very much better; but if they were privately owned, as they were before the packers got into the stockyards business, I believe they would be more efficient.

Now, I am not criticizing Mr. Brown's view, and I am not criticizing any other member's view, but I can remember when the stock-

yard companies all over this country were independently owned. I can remember when the Kansas City stockyards were independently owned.

The CHAIRMAN. Neither controlled by the railroads nor the packers?

Mr. HOUX. No; they were independent, and I think we got better service then than we do now. I am quite sure that was the case in Kansas City. I make that statement unequivocally, without any qualification to anybody, because I have been there for 18 years, and I have tried to build up a market at Kansas City.

Mr. DECKER. What would you think about it if we had it arranged so the packers could not own an interest in the stockyards? Would there be any trouble getting independent people to put their capital in?

Mr. HOUX. Well, I don't think there would. Now, Mr. Brown thinks that if you drive the packers away from the stockyards it would drive the packers away from Chicago. That might be true to some extent. I believe they would make a bluff along that line; but I believe that more independent packing houses would come to Kansas City, and I believe it would be the duty of the Government to do everything in its power, up to financing independent packing companies, because the buyers are remarkably few at all these markets. When the five big packers get through bidding on your stuff, it is about all there is to it, so far as fat cattle are concerned. Now, what amount of competition there is among them I am not prepared to say. I think there is some. I think there is an amount of competition among them. They all like to do about all the business they can, and I believe they want to pay fairly good prices as between themselves, but where that limit is I don't know. I sell cattle. I don't sell hogs, and it may be that the cattle industry has a wider outlet than the hog industry. It may be that a farmer would be foolish enough sometimes to come in and bid against a packer on a bunch of fairly fat cattle. In that event he would certainly get them. If he bid a dime more or a nickle more, or anything else, he would get those cattle. He would probably take them to his feed lot to speculate on them for 30 days or 60 days—make Christmas cattle, as the case might be. But, of course, eventually the packer gets them. He would be betting on what the market would be 30 days or 60 days hence. In that way we probably have a little wider outlet in the cattle industry than we do for hogs, because nobody is going to buy fat hogs and ship them back to the country to see what the market will be 10 days away.

Mr. WINSLOW. I would like to ask the gentleman if he knows any cattle-yard terminals owned by railroads?

Mr. HOUX. Well, I think most of them have been eliminated. There are some small concentration points in Iowa, and there used to be one—the Wiggins Ferry Co. in St. Louis had such a place, and I have understood the Pittsburg yard was practically owned by the railroads, but I am not posted on that.

Mr. WINSLOW. You mean terminals for the sale or to bring them together for shipment?

Mr. HOUX. No, for sale.

Mr. WINSLOW. You think Pittsburg is?

Mr. HOUX. It was at one time owned by some railroad.

Mr. WINSLOW. In Kansas City has an independent packer as good a show as one of the big ones for getting the animals sent in there for sale?

Mr. HOUX. Oh, yes; anybody can buy the cattle in Kansas City.

Mr. WINSLOW. Can he get ample pens and places for them?

Mr. HOUX. Yes, sir.

Mr. WINSLOW. Can he get every accommodation needed?

Mr. HOUX. Yes, sir.

Mr. WINSLOW. Do you have in mind any cases where the power of the big packer has been exercised in a way to reduce the opportunity of the small packer?

Mr. HOUX. Well, some years ago the railroads discriminated against the smaller packer and the small buyer shipping out of there. We used to have a good deal of trouble getting cars for smaller packers who were shipping cattle, for instance, to St. Louis for the independent plants.

Mr. WINSLOW. I mean in recent years.

Mr. HOUX. Well, no, I don't think so, since—at least since the war came up. Everybody was short of cars sometimes, you understand.

Mr. WINSLOW. Do you happen to have in mind any instances where the independent packers have not got a fair show all around in the use of the yards?

Mr. HOUX. No, not in the use—in the facilities of the yard, you mean?

Mr. WINSLOW. Yes.

Mr. HOUX. No, I think he gets a square deal on the facilities of the yards.

Mr. WINSLOW. And any such suggestion that he does not get a square deal in moving his stuff through the switching of the railroads, coming and going, is that true?

Mr. HOUX. I don't think so.

Mr. WINSLOW. Is there any reason, other than commercial ability to do business, why the independents, the small packers, should not get on as well as the big ones and make a profit?

Mr. HOUX. Only in this way now: we have a small independent concern in Kansas City, the Ruddy Packing Co. He makes the sixth packer in Kansas City. Along with these packer industries and these yard-controlled and stockyard ownership there are always some adjuncts, like rendering companies, for instance. Now we have a Standard Rendering Co. in Kansas City. When Morris acquired our yards we had some five or six rendering companies competing for the dead animals in our yard. When Morris acquired the yards, those plants were gradually bought out or eliminated in some way, until now we only have one rendering company. Some months ago, since I became president of the exchange, the Ruddy Packing Co. came to our exchange and complained that they were being discriminated against on dead animals. They said Morris had a plant over there—not a very extensive plant—and they were getting all the dead animals out of the yard at a very low price. They suggested that if the Live Stock Exchange would make a contract with them, selling them the dead animals, they would give double the price for a term of five years. They felt that this Standard Rendering Co. would finally put them out of business, because it was probably the most profitable adjunct to the Kansas City stockyards. The statement

was made by some of the Ruddy people that the Standard rendering plant was worth, possibly, \$100,000 and was about paying a big interest on a million. We told them that the Kansas City Live Stock Exchange would do everything in our power to help them get a part of these dead animals if they would put up a rendering plant, and we would agree to start to selling them these dead animals at the price they had named, which was probably twice what Morris was paying for them at that time, but if Morris at once advanced the price to 10 cents a pound, double their price, we would be compelled, as commission merchants, to sell these dead animals to the highest bidder. We could not guarantee them anything, but if they would start their plant we would certainly give them a fair shake. They said that would be hazardous, because the packers at once would put the price up so high that it would break them, and they declined the proposition. Now outside of something of that kind I don't believe the independent packer would suffer if he should get into our yards to buy.

Mr. WINSLOW. What is the interest of the packer in that rendering business?

Mr. HOUX. What is the interest?

Mr. WINSLOW. Where does he make his money out of the rendering business?

Mr. HOUX. Well, they buy these dead animals at a price per pound or per head, which of course would be cheap, and nobody would handle a dead animal unless they got a profit. Then they take it over to the rendering plant and take the hides and put the hides in the hide cellar; take the fats and sell them to the soap factories, and the tissue of every kind, of course, would go into fertilizer.

Mr. WINSLOW. It is a by-product?

Mr. HOUX. Yes, by-products. None of it is edible products.

Mr. WINSLOW. None of it is used in the packing end of the business?

Mr. HOUX. Everything is in the packing part, yes, that is part of the packing industry, but a separate corporation and handling nothing but by-products.

Mr. WINSLOW. But that fellow wouldn't bid any more than the other fellow was paying?

Mr. HOUX. You say the independent would not?

Mr. WINSLOW. The one you speak of.

Mr. HOUX. They offered to at the time, if we would make a contract with them for five years at the price, but we have an open market; we sell our stuff at anything we can get, and if we can sell it at 10 cents a pound we sell it at that; if we can sell it at 20 cents we sell it.

Mr. WINSLOW. But they did not do it?

Mr. HOUX. No, they did not do it.

The CHAIRMAN. We are very much obliged to you, Mr. Houx.

Mr. DOREMUS. If it is possible, I would like to have the committee hear Mr. Taliaferro, of the Hammond Standish Co. of Detroit.

The CHAIRMAN. Proceed, Mr. Taliaferro.

**STATEMENT OF MR. THOMAS W. TALIAFERRO, OF DETROIT, MICH.,
VICE PRESIDENT AND GENERAL MANAGER OF HAMMOND
STANDISH & CO.**

Mr. TALIAFERRO. Mr. Chairman and gentlemen, this bill, it seems to me, is of very great interest to the independent packer. I appear before you in the interest of the industry as a whole, and I have a written statement here. It is only a short one and will not take me long to read it.

The CHAIRMAN. Proceed, then.

Mr. TALIAFERRO. With your kind permission I would like to read the following statement that I have prepared and have not had time to have typewritten, that I hope will lay before you some facts in connection with the packing business in general and Hammond Standish & Co. in particular, that may help to clear up some of the disputed points now under consideration.

My name is T. W. Taliaferro, and I have been in the packing business 38 years. I am vice president and general manager of Hammond Standish & Co., a Michigan corporation, located with its packing house in Detroit. It has a capital of \$834,000. It has two distributing branches, one each in Saginaw and Bay City, Mich. It is absolutely independent and not allied with any other business in any manner whatsoever. The business was started in 1859 as a partnership, was incorporated in 1880 for a period of 30 years, and in 1910 its corporate existence was extended for an additional period of 30 years. The present plant is located on the original ground occupied by the first plant of the Hammond family and from which sprang all of the Hammond companies, but it was left in the ownership of the Hammond and Standish families when the remaining part of the plants and business was sold to an English syndicate. It remained one of the smaller of the so-called small packers until 1908, when it began to grow and enlarge by the introduction of modern and progressive methods of management, which is about 90 per cent of the success of any business and especially so in the packing business, handling such a large per cent of perishable products. The growth of this company was steady but did not show itself to a marked extent until 1911, when enlarged and modern buildings were available. In 1916 they did a business of \$10,858,000; in 1917, \$14,000,000; in 1918, \$21,388,000.

This concern does a general meat-packing business almost exclusively but handles some produce, canned salmon, and fish from its packing house and two branches. We bought in about 1909 25 dressed-beef refrigerator cars and 15 double-deck live-stock cars, but we found it was not possible or practical to operate such a small number except at a considerable loss, so we sold them in 1916 at about 25 per cent of the cost, as we found out we could get a full supply of suitable cars from the railroads, and we usually can get a beef car from some of the larger packers if we need it and there is no especial shortage at the time. We have also found out that by freezing the beef we can use almost any kind of a railroad-owned refrigerator car, and this makes it less necessary that exclusively fresh beef cars be used. Frozen beef is the proper way of handling fresh beef, any way, and if all fresh beef was

handled that way an immense yearly loss would be prevented, caused by the uncertainties of transportation and handling.

We have always found all the competition we cared to face in the buying and selling ends of the business, and we have seen no combinations or conditions at any time except the operation of the well-established law of self-preservation, which is the first law of nature. The last time we had occasion to investigate the matter we found in the city of Detroit and its suburbs that about 66 per cent of the dressed beef sold in that territory was killed by local slaughterers without even Government inspection; this is the general rule in eastern sections, we believe.

I understand the peddler or route car operated by the packers has been the subject of unfavorable comment, but I wish to say that this method is the only way that farmers and residents of rural communities can get Government-inspected fresh meats which are sweet, sound, wholesome, and fit for human food, and there is no element of danger to anyone and is a blessing in disguise. We do not operate route cars, because we are unfavorably situated geographically and from an operating railroad standpoint.

We slaughter yearly about 300,000 hogs, 25,000 cattle, and 25,000 small stock. These animals are purchased about 70 per cent in western markets such as Indianapolis, Cincinnati, Chicago, St. Louis and Missouri River points, including occasionally St. Paul, and 30 per cent locally, in the Michigan Central stockyards, which are owned and operated by the Michigan Central Railroad Co. and is, along with other yards, now under Government license, and, as far as I know, the licensing of the stockyards of the country has not made one single change or corrected any supposed abuses, because there were none to be corrected that operating under a license could correct. I know the Detroit yards and the Buffalo yards are owned by the Michigan Central Railroad Co. and the New York Central Railroad Co., and, as far as the Detroit yards are concerned, they are notoriously mismanaged and they will never handle the amount of live stock that a privately owned yard would, as the item of personality and cooperation is lacking.

I beg to read into the record a letter to one live-stock buyer that I happen to have in my pocket, which perhaps might be of interest, and mentions some of the faults of railroad owned and operated yards. These conditions do not exist in yards operated by interests interested in the safety and humane handling of live stock. The packers originally bought an interest in yards primarily to correct abuses mentioned, as every bruised and every crippled animal means much loss to them, and, as long as the railroads own and operate the yards in Detroit, these abuses and faults will exist. I do not care who owns the stockyards, but it has been proven that the yards that are best managed are those in which the packers are interested.

We are operating satisfactorily without beef refrigerator cars or live-stock cars, and we can see no help to the smaller packers that would come from the Government or railroad owned cars. This would only result in crippling the packing business and increasing the cost largely to the consumer from lessened efficiency in handling.

We can not see where any possible good could come to anyone by the Government owning any branch house of any packer. They need these outlets for their products and they must be maintained

for that purpose. They do not own any more branches than they need and Government ownership would not make any other packer use them. Marketing produce through a Government-owned branch house tends to eliminate that most essential but intangible asset—"good will"—without which no business, especially the packing business, could long survive.

To my mind, this bill means ultimate Government ownership and nothing else, and if the Government wants our business, let it take it now, while it is alive and progressive and has an efficient organization, and pay us a fair value for it and not handicap, disorganize, and disrupt it and then take it a wreck of its former self. I know what trying to operate under license would mean and I want none of it. My business is legitimate and necessary for the country and I want to run it in my own way, like every other free American citizen operates his business. Why should we have such restrictions thrown around us that would brand us as lawbreakers, either stated or implied. We are not parties to any agreement in buying our live stock or in selling our products.

In conclusion, I wish to emphasize that among all of the essential elements entering into the winning of the war, the supplying of meats is the only one that will not cost the Government immense sums of money in burying the white elephant of incomplete contracts and necessarily wasteful methods brought about by haste. The packers supplied the necessary food often on a cost-minus instead of a cost-plus basis, but you have had no complaint from them. This is patriotism pure and simple, and I hope this honorable committee will write in, saying to one industry "Well done, good and faithful servant; enter into the joys of your reward and breathe the air of freedom like the nations of Europe whom you helped to liberate."

The CHAIRMAN. Now do you want to read your letter, or let it go along with your remarks and be printed?

Mr. TALIAFERRO. If you please, here is the letter.

We have had for the past 10 years trouble, all kinds of trouble, in trying to prevent the abuses that have existed in the Michigan Central stockyards as to bruised hogs, crippled, and otherwise, from incompetent handling. And the matter has come to a show down. We just absolutely refused any longer to submit to such an enormous economic loss. We had been having correspondence backwards and forwards, and had gotten no satisfaction, and I here present to the committee some correspondence, the last letter being one in answer to one from the general superintendent of the stockyards end of the Michigan Central Railway Co., and was sent to our hog and cattle buyer in the stockyards to present and see what could be accomplished.

(The correspondence is as follows:)

[Letterhead of Hammond, Standish & Co.]

DETROIT, MICH., January 9, 1919.

Mr. W. K. HALL,

care of John Garvey's Hotel,

Dir Avenue and M. C. Stockyards.

Detroit, Mich.

DEAR SIR: Inclosed please find letters from Mr. Welsh, of the Michigan Central Stockyards, and also copy of our letter to him. We would like to have you take this up with Mr. Bishop, and see what can be done toward correcting these troubles.

We want to have a watchman in those yards every night to look after our stock, and protect our interests, and we do not want him to sleep. We want him to be on the watch all the time, so that either you or he are there while we own stock that is in possession of the stockyards company.

Return these letters to me as soon as you are through with them.

Yours truly,

HAMMOND, STANDISH & Co.,
By T. W. TALIAFERRO,
Vice President.

[Letterhead of Michigan Central Railroad Co.]

DETROIT, MICH., January 8, 1919.

Mr. T. W. TALIAFERRO,
Vice President, Hammond, Standish & Co.,
Detroit, Mich.

DEAR SIR: In connection with our telephone conversation regarding difficulty you are having in receiving crippled hogs loaded at stockyards:

Will you please note the attached letter to Supt. Smith, and if you can conveniently do so, I would appreciate it if you would cooperate with us in endeavoring to locate the cause of this damage, by asking your buyer to let you have each evening a statement showing the pen numbers and the number of uninjured and crippled hogs which he has in each storage pen at the time of leaving the yards. As suggested in Mr. Smith's letter, comparison of statements made by your man and the records which I am asking Mr. Smith to keep should enable us to place responsibility.

In connection with shipments to which you referred as arriving in unusually bad condition, investigation develops the fact that the following lots of hogs were weighed to your buyer as straight or uninjured hogs, whereas each draft contained one or more hogs "so slow" that they were put in the cripple pen after they came off of the scales:

From pen No.	Number hogs weighed straight.	Number put in crippled yard.
135.....	47	1
53.....	94	1
79.....	27	2
81.....	35	1
83.....	28	1
48.....	63	1
42.....	34	1
41.....	62	1

It might be that these were not included in the 16 crippled hogs which were all that your buyer reported as having bought, and they may have escaped his attention as being slow hogs, likely to become cripples, when he purchased them. We may, however, be able to develop this phase more comprehensively if you can arrange to keep the records requested.

Very truly, yours,

F. S. WELSH,
General Superintendent Stock Yards.

[Letterhead of Michigan Central Railroad Co.]

DETROIT, MICH., January 8, 1919.

Mr. W. E. SMITH,
Superintendent Stock Yards,
West Detroit.

DEAR SIR: In accordance with our telephone conversation, please arrange to give special attention to the handling of Hammond, Standish hogs in the stockyards, with a view to determining whether crippling of these hogs is caused by rough handling by stockyard employees.

For this purpose, I wish you would arrange, beginning at once, to keep a count of the number of uninjured, slow, and crippled hogs as they are taken from each of the Hammond, Standish storage pens each night prior to loading.

Let me have this report daily, and I will ask Mr. Taliaferro to have his hog buyer submit to him a similar report showing the number of hogs and the number of cripples which they have and the pen number in which they are at the time he leaves the yards. By comparison of these statements and a careful observation of the handling of the hogs by our employees in driving and loading, it should be possible to determine very easily within a few days whether Hammond, Standish Co.'s buyer is mistaken as to the number of crippled hogs which he actually purchased, or whether cripples are caused by rough handling by our employees, or in other ways over which we have no control. We can not, of course, assume responsibility for rough handling prior to the time the hogs are placed in storage pens when they are in the hands of commission men and buyers, or after loading on the cars, but the above record should clearly place responsibility upon stockyard employees, if it exists.

Very truly yours,

F. S. WELSH,
General Superintendent Stock Yards.

Mr. S. W. BROWN,
Assistant to Federal Manager.

JANUARY 9, 1919.

Mr. F. S. WELSH,
*General Superintendent Stock Yards,
Room 239, Michigan Central Terminal, Detroit, Michigan.*

DEAR SIR: Your letter of the 8th, with copy of letter to Mr. W. E. Smith received, all of which have our attention.

We bought on the 6th 448 good hogs and six crips, making 454. They were shipped down on the night of the 6th, and got here the morning of the 7th; unloaded 443 good hogs and 9 cripples, a shortage of two hogs. These hogs have been lost somewhere between the time they passed over the scales in the stockyards and the time they reached us, because they killed out 452 hogs, so we are short two hogs, which we expect the Michigan Central Stock Yards Co. to make good.

Our purchase of the 7th, which has been the subject of conversation over the phone, consisted of 1,034 good hogs and 16 cripples, total of 1,050. These hogs were loaded out some time during the night of the 7th into the following cars: 52555 C. & E. I.; 27521 N. W.; 32757 M. C. St. L.; 625476 P. L.; 657900 P. L.; 648028 P. L.; 80293 L. S.; 76173 R. I.; 75742 M. C.; 75314 M. C.; 75172 M. C.; 52724 C. & E. I.; 61190 G. H. S. A.; 76293 R. I.; 11332 B. & O.; G. H. S. A. 3537.

We unloaded out of M. C. St. L. 32757, 1 dead, 27 crips; P. L. 625746, 1 crip; M. C. 75742, 4 dead, 5 crips; M. C. 75314, 1 dead, 4 crips; C. E. I. 32724, 1 dead, 4 crips; G. H. S. A. 61190 1 crip; G. H. S. A. 3537, 2 crips; total 7 dead, 47 crips.

The total of hogs received by us, including good, 7 dead and 40 cripples, 1,050.

You will see that we received 24 more cripples than we bought, and 7 dead hogs, and we did not buy any of them, and there were no dead hogs in our pens when our buyer, Mr. Hall, left there in the evening.

This thing has happened almost daily for the past six weeks, and we have had it up with your Mr. Smith and with everybody else connected with the yards company, and we have not received any satisfaction whatever. The loss on these dead and additional crips would be in the neighborhood of \$500. These hogs never would have reached us in the condition in which they did unless they had been badly bruised between the time that we left them in the yards and the time we received them at the packing house. It looks to us as if this was intentional, because we could hardly conceive of any combination of circumstances that would produce this result unless malice or dishonesty had been practiced in the transferring of these hogs. You know that hogs will not travel well in an alley at night unless it is thoroughly lighted, and where there are shadows the hogs will stop and hesitate and oftentimes pile up; also, the hogs are liable to rush and pile up when too large bodies of them are thrown together. We have an idea that your loading gang would go into the alley and open every gate and let all the hogs out, and this would allow them to pile up and become bruised in the shutes.

There is another thing that is very bad and is responsible for a great many cripples—the fact that your pens are lower than your car floors, thus necessitating driving the hogs up into pens that are on a different level from the storage pens and where they run out and pile up in that way. The loading

and unloading docks should be on a level with the car floors, or the approach should be very gradual, thereby eliminating the trouble mentioned above.

Your approach from the yards to the loading shutes is entirely too steep, and this, combined with the want of light and lack of care on the part of your men, will produce the results indicated above.

We can not stand this loss, which has continued in a greater or less degree for some time. We have always had a larger number of bruised hogs in the Michigan hogs than in any other hogs that we buy. This has also been so, and you can verify this by the records of any of the packers.

We understand that there has been some changing of hogs in the yards. We have always thought that this could be easily done. We expect that those yards will be handled in the future so that these complaints will not be necessary, and unless there is a prompt and decided change for the better in the manner in which we are receiving our hogs, we hereby notify you that we will withdraw our buyers from the yards, and will not again put them into the yards until we are assured beyond a doubt that our stock will receive the same treatment in those yards that they do in others.

In addition to the heavy losses that we are suffering from the improper handling of the live stock, we understand that the switching charge has been increased to \$5 a car for both single and double decks. This is an injustice, and must be taken into consideration when purchasing live stock in the yards.

We can tell you that we do not feel very good over this situation, and we are prepared to take drastic measures in regard to it.

Yours, truly,

HAMMOND STANDISH & Co.,
By T. W. TALIAFERRO,
Vice-President.

(At 1.40 o'clock p. m. the committee adjourned.)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Monday, January 20, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

The CHAIRMAN. Gentlemen of the committee, by previous arrangement, this week, beginning with to-day the 20th, was to be given to the five large packers, they to have the right of way and the right to be heard during this week. I was notified this morning that Mr. Armour would be here to-morrow, but not until to-morrow, and would be ready to go on to-morrow. I do not know whether any representative is here from Mr. Swift or from Cudahy, Morris, or Wilson, but if there is anyone here representing any one of these companies, I will be glad to have him make it known. As far as I know, they are not here. Mr. Mayer, attorney for Armour, is here, and also an attorney for Mr. Swift is here. I have notified the attorney for Mr. Armour that he would not be here until to-morrow. I have not been notified about Mr. Swift. Any time that is taken out in connection with this bill will have to be taken at the expense of what we call the Big Five Packers. Is there anyone asking to be heard to-day in the absence of any one on the behalf of the five big packers?

STATEMENT OF MR. NORRIS BROWN, ATTORNEY FOR THE
OMAHA STOCKYARDS CO., OMAHA, NEBR.

Mr. BROWN. Mr. Chairman and gentlemen of the committee: There are a number of representatives here who have come out from the country to be heard against the bill. They are not the packers.

They come in accordance with your telegram which said that the packers would have the preference this week, but that those opposing the bill could be heard at times when they were not present. There are a number of gentlemen here from Kansas City, Cincinnati, St. Paul, and I also understand Mr. McFadden is here from Pittsburgh. Now, their statements will be very short, and they are ready to proceed.

The CHAIRMAN. Are they packers or commission men or stock raisers or what?

Mr. BROWN. Mr. McGivney represents the Union Stockyards at St. Paul, Mr. R. M. Katz is a packer at St. Paul, and Mr. Seekins is a member of the Exchange at St. Paul.

The CHAIRMAN. You mean the live stock exchange?

Mr. BROWN. Yes; and Mr. Goebel is here from the Kansas City Stockyards.

The CHAIRMAN. The packers will have the right of way.

Mr. BROWN. And Mr. Edmonds is here from Cincinnati.

The CHAIRMAN. The stockyards men have been pretty well heard in opposition to the bill and as this is the week which was to be devoted to the packers, if there is no one here representing any of the five large packers, then we will hear any other packer.

Mr. BROWN. Mr. Katz is willing for us to go ahead now, and he will come in later.

The CHAIRMAN. We can not say that he will have a chance to come in later if he gives up his time now.

Mr. BROWN. He might have time to-day after Mr. McGivney gets through, and Mr. Goebel.

The CHAIRMAN. How many witnesses do you want to put on this morning who are not packers?

Mr. BROWN. Three or four.

The CHAIRMAN. Then, of course, there would be no time for the other gentlemen.

Mr. BROWN. I understand that most of them will be very short.

The CHAIRMAN. If the one who is a packer wants to be heard now, all right. If he does not, he loses his opportunity to be heard on that ground, and he must assume the responsibility for not being heard.

Mr. BROWN. He assumes that responsibility.

The CHAIRMAN. He would rather these stockyards men be heard first than to be heard first himself?

Mr. BROWN. Yes. I would like to present Mr. McGivney of St. Paul.

STATEMENT OF MR. WILLIAM MCGIVNEY, PRESIDENT ST. PAUL UNION STOCKYARDS CO., SOUTH ST. PAUL, MINN.

The CHAIRMAN. Mr. McGivney, you may proceed to make your statement in your own way, and will not be interrupted until you have made your leading or chief statement, and then, of course, the members of the committee may want to ask you some questions.

Mr. MCGIVNEY. Before giving you my objections to this bill I think it is due you that I qualify as a witness.

Since April 1, 1907, I have been president and general manager of the St. Paul Union Stockyards Co. My experience with stock-

yards began as a live stock market reporter on the Sioux City (Iowa) Journal in April, 1888. In March, 1889, I was employed by the Union Stockyards Co., of Sioux City, Iowa. I worked in various positions in the yards, the office and as traveling solicitor, until August, 1891. At that time, I was sent to New York and Boston by the Sioux City Dressed Beef & Canning Co. to look into the sales of its products on those markets. I returned to Sioux City in December, 1891, and was in charge of the beef packing house office of Ed. Haakinson & Co., the successor of the Sioux City Dressed Beef & Canning Co., until the failures and panic in April, 1893. I served under the assignees of the property until their affairs were closed. In January, 1894, I served under the receiver of the Union Stockyards Co. of Sioux City in the office and continued with the Sioux City Stockyards Co. when it took over the property. I remained continuously in the service of that company in various positions, including secretary and treasurer, until I went to St. Paul April 1, 1907.

As I understand the act, it proposes three plans for disposing of stockyards.

1. To permit purchase of the property and its operation by such agencies as the President may select.

2. To permit the President to take over the property and operate it presumably on the same plan now in effect with respect to the railroads of the United States.

3. To permit operation only under license through the President or his agencies.

If the Government desires to purchase the St. Paul Union Stockyards at its fair value I have no objections to offer, as the interests of the stockholders should not suffer by such an act.

If it is proposed to require that the property be operated under Federal license with regulations that will not operate to decrease the value of the property, then there are no objections. We are now operating under license and regulations of the Bureau of Markets which so far have been reasonable.

If it is the intention of the Government to take over the property and operate it then we shall object strenuously because it is quite possible that the value of the property might thereby be seriously impaired and there might be a move to purchase the property at its impaired value. Also, if the experiment of Government operation should prove inefficient the property might be returned to us in a condition that would make its profitable operation difficult if not impossible.

It is my belief that Government is organized to administer laws and not to administer the affairs of business. Nothing could be gained through the possession or operation of the property by the Government unless some saving could be made to the public. To accomplish such savings it would be necessary for the Government to maintain the same degree of service to the public as is now being maintained in the St. Paul Union Stockyards and do it at less cost than it is now being done.

No evidence has ever been produced to show that the charges now made by the St. Paul Union Stockyards Co. are excessive. No evidence has ever been produced to show that the Federal Government, or any other agency, could furnish the facilities and service for the public, now furnished by the St. Paul Union Stockyards Co., at less

costs than those prevailing. In the absence of such evidence it is a fair presumption that the service of the company is reasonably efficient and that its charges are reasonable.

However, I am quite well aware that the provisions of the act aimed at stockyards are not based on their efficiency or their charges. So we will proceed to the points at issue.

In a letter to the Hon. Wm. J. Harris, chairman of the Federal Trade Commission, dated February 7, 1917, President Wilson directed an inquiry into the methods of marketing food products. He requested that facts be ascertained

bearing on alleged violations of the antitrust acts, and particularly upon the question whether there are manipulations, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with law or the public interest.

Another paragraph of the same letter is as follows:

It has been alleged before committees of the Congress, and elsewhere, that the course of trade in important food products is not free, but is restricted and controlled by artificial and illegal means. It is of the highest public concern to ascertain the truth or falsity of these allegations. No business can be transacted effectively in an atmosphere of suspicion. If the allegations are well grounded, it is necessary that the nature and extent of the evils and abuses be accurately determined, so that proper remedies, legislative, or administrative, may be applied. If they are not true, it is equally essential that the public be informed, so that unrest and dissatisfaction may be allayed.

The Federal Trade Commission began its task July 1, 1917. Under date of July 3, 1918, the commission in a letter to the President, submitted a summary of its report on the meat-packing industry. In that letter it stated that it had found conclusive evidence of the existence of

monopolies, controls, trusts, combinations, conspiracies or restraints of trade out of harmony with the law and the public interest.

As one of the means of breaking up the "conspiracy" the commission recommended that the Government, through the railroad administration, acquire the principal and necessary stockyards of the country to be treated as freight depots and to be operated under such conditions as would insure open, competitive markets with uniform charges for services performed.

Inasmuch as the provisions of the bill now under consideration are apparently based on the report and recommendations of the Federal Trade Commission, let us now consider the investigations and recommendations of that commission with special reference to their application to the St. Paul Union Stockyards Co., its property and the operation thereof. The commission has issued Part Two of its report and promises to issue more. Thus far, I have been unable to find in the report anything to warrant the statement that the St. Paul Union Stockyards Co. or its officers or employees acting for it have taken any part in this alleged "conspiracy." Apparently the commission has reached the conclusion that because some of the packers own stock in the company it is necessary to take control of it regardless of whether or not there is a large number of other stockholders in the company; and also without regard as to whether or not the stockyards company has been proven guilty of any acts "out of harmony with the law and the public interest."

I have no personal knowledge of the hearings conducted by the commission except the one held in St. Paul, in February, 1918, before Commissioner Davies and conducted by Mr. Francis J. Heney. I was a witness in that hearing and attended all of its sessions. There was no evidence introduced to show that the St. Paul Union Stockyards Co. had any part in any "conspiracy" of any kind.

An investigator was sent to the stockyards prior to the hearing and sought to find all those who for any reason were disgruntled and antagonistic to the packers or the stockyards company. I had several interviews with him and found him disposed to be fair-minded and entirely ignorant of all matters pertaining to the business.

The CHAIRMAN. Entirely what?

Mr. McGIVNEY. Entirely ignorant of all matters pertaining to the business; but he was open-minded; he was fair.

Mr. STEPHENS. Whom do you refer to?

Mr. McGIVNEY. Mr. Barrett his name was; he was an investigator sent out by the Federal Trade Commission.

After several days search he informed me that there was nothing to be said against the stockyards company or its management. He interviewed two of the small packers at the stockyards, but as they had no complaints against Swift & Co. or the stockyards company, they were not called as witnesses. The commission did not wish to hear from any one who was satisfied and had a good word for the yards, the packers, or their business methods. When the hearing began the witnesses called were all men who had some complaint to make. They were practically all retail butchers with the exception of four live-stock shippers. One butcher said he thought there was competition between the packers in the sales of meats. Mr. Heney promptly interrupted him to inquire if he had been talking to Mr. McGivney or Mr. Bangs, the manager of Swift & Co. The butcher stated that he did not know me and had not talked to Mr. Bangs. Mr. Heney promptly dismissed him. Of the two live-stock shippers who occupied the stand a large part of the time, one of them admitted that he had not shipped any live stock to St. Paul in five years; a pretty competent witness, gentlemen.

The other one told a story of how he knew that the market prices of hogs at St. Paul were 60 cents per hundredweight out of line as compared with Chicago. He failed, however, to state why he continued to ship to St. Paul instead of Chicago, under those conditions. The freight rate is only 20 cents more to Chicago, and he left the inference he was losing 40 cents a hundred in selling his stock in South St. Paul, but he did not tell why he kept on doing it.

I protested to Mr. Heney that he was filling the records with evidence not supported by fact or circumstance. I told him I wanted to cross-examine the witness and would guarantee to disqualify him as a witness. Mr. Heney said he would not permit any witnesses to be cross-examined. I asked for privilege to go on the stand to refute such testimony and my statement was from time to time interrupted by Mr. Heney with the remark that I was making an argument and not giving testimony. I stated that there were more than 2,000 shippers of live stock who patronized our market, a large majority of whom were satisfied and asked Mr. Heney why he did not call some of them. His reply was that he might call them all before he finished. He did not, however, call any of them.

I have trespassed on your time at length to give you an idea of the character of this hearing at St. Paul. If all the other hearings were conducted on the same lines it is easy to see that the injunction of the President to the commission to accurately determine the facts was not obeyed. You can not accurately determine facts, gentlemen, by hearing only one side of a case; at least, our courts do not pursue that method.

Let us now proceed to examine the status and functions of the St. Paul Union Stockyards.

It does not buy, sell or transport live stock moved in interstate commerce.

Its business is to furnish facilities and labor for receiving, feeding and marketing live stock. It is the place where buyers and sellers or live stock meet. It is a hotel for live stock around which, through its enterprise or the enterprise of others, have been built slaughtering houses. Within its gates have been located buyers of stocker and feeder cattle, sheep and swine. Because it has spent money to provide facilities for the marketing of live stock it makes a reasonable charge for the use of those facilities and for the feed fed to live stock therein.

The stockyards company depends upon the producers for live stock to use its facilities. It depends upon the buyers to purchase that live stock and thereby establish its market. Failure of either one of those factors to perform its part would mean ruin to the property of the stockyards company. We can not get along without buyers and sellers both.

The interests of the stockyards company lie close to the producer, and it is the constant aim of the stockyards company to furnish facilities and service that will meet all reasonable demands made by the producer. The stockyards company also does all in its power to encourage buyers to operate within its gates, to the end that a steady and satisfactory market may be maintained for the producer.

During the year 1918 approximately \$200,000,000 was paid to the producers for live stock marketed in South St. Paul.

Buyers are welcome at South St. Paul, and as an evidence of the existence of competition I now submit statements of purchases made by various firms during the years 1914-15, 1916-17, and 1918.

(The list referred to follows:)

ST. PAUL UNION STOCKYARDS CO., SOUTH ST. PAUL, MINN.

Statement of disposition of live stock to packers, butchers, and dealers.

1918.

	Cattle.	Calves.	Hogs.	Sheep.
PACKERS AND BUTCHERS.				
Swift & Co., South St. Paul, Minn.....	365,461	212,874	1,219,477	175,236
Hinman & Co., South St. Paul, Minn.....	1,194	277	70	23
R. N. Katz, South St. Paul, Minn.....	15,053	500	71	25
R. J. King, South St. Paul, Minn.....	2,521	2,627	724	40
Armour & Co., Chicago, Kansas City, Omaha, Sioux City.....	97,053	2,598	569,110	4,306
Swift & Co., Chicago, Kansas City, New York, Fort Worth, Sioux City, East St. Louis.....	51,988		24,872	18,986
Cudahy Packing Co., Sioux City and Omaha.....	4,056	8,073		12,823
Cudahy Bros. Co., Cudahy, Wis.....				

Statement of disposition of live stock to packers, butchers, and dealers—Con.

1918—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
PACKERS AND BUTCHERS—continued.				
Wilson & Co., Chicago, Ill.	15,257	918		
Morris & Co., Chicago, Ill.	3,767			
J. Agar & Co., Chicago, Ill.	5,396	29		
Albert Lea Packing Co., Albert Lea, Minn.	15,356	5,965		247
Anglo-American Provision Co., Chicago, Ill.			7,590	
Bresler Co., Cleveland, Ohio.	473			
Chicago Packing Co., Chicago, Ill.	150			
Cleveland Abattoir, Cleveland, Ohio.	178			
Cleveland Provision Co., Cleveland, Ohio.	20			
Columbus Canning Co., Columbus, Wis.	37			
Dakota Meat Co., Jamestown, N. Dak.	137			
E. W. Davis, New York, N. Y.			1,153	
J. E. Decker & Sons, Mason City, Iowa.	1,193	881	16,657	206
Drummond Packing Co., Eau Claire, Wis.	255		2,364	
Elliott & Co., Duluth, Minn.	259		1,258	
Farmers Cooperative Packing Co., La Crosse, Wis.	279			
Farmers Cooperative Packing Co., Rockford, Ill.			246	
Farmers Cooperative Packing Co., Wausau, Wis.	148		105	
Fergus Packing Co., Fergus Falls, Minn.	21			
Fostoria Provision Co., Fostoria, Ohio.			449	
Guggenheim Bros., Chicago, Ill.	971	81		
Hammond Packing Co., South St. Joseph, Mo.			11,875	
S. B. Hedges Co., Pittsburgh, Pa.			1,188	
Geo. A. Hormel & Co., Austin, Minn.	4,556	355	61,541	
Independent Packing Co., Chicago, Ill.	1,311		2,067	
Interstate Packing Co., Winona, Minn.			4,512	
Iowa Packing Co., Des Moines, Iowa.			1,256	1
Kaska & Klotz, Lake Beulah, Wis.	108			
J. Kiewell, Fergus Falls, Minn.	48			
B. T. Kneeskern, Castalia, Iowa.	285			
Kohrs Packing Co., Davenport, Iowa.	261			
Kunbar Packing Co., Elgin, Ill.	21			
Lake Erie Provision Co., Cleveland, Ohio.	537			
Levine Bros., Duluth, Minn.	427	42	2,092	149
Luley Abattoir, St. Paul, Minn.	4,261	375	6	
J. T. McMillan Co., St. Paul, Minn.			2,703	
J. Morrell & Co., Ottumwa, Iowa.	21		1,596	
National D. & B., New York, N. Y.	22			
North Packing & Provision Co., Cambridge, Mass.			18,366	
Ohio Provision Co., Cleveland, Ohio.	345			
Omaha Packing Co., Chicago, Ill.			2,110	
A. D. Paul, Waterloo, Iowa.			226	
Peerless Packing & Provision Co., Chicago, Ill.	1,314			
L. Pfelzer & Sons, Chicago, Ill.	267			
Plankington Packing Co., Milwaukee, Wis.	2,556			
Rath Packing Co., Waterloo, Iowa.	277		1,637	
Reiland Packing Co., Grand Rapids, Wis.	1,458	814		
Schrag & Muth, New York, N. Y.			870	
Siegel Hechinger Packing Co., Chicago, Ill.	457			
Sim Packing Co., Pittsburgh, Pa.		162		
T. M. Sinclair & Co., Cedar Rapids, Iowa.	5,247	342		
Sperry & Barnes, New Haven, Conn.			2,616	
Springfield Provision Co., Springfield, Mass.			2,929	
J. P. Squire & Co., Cambridge, Mass.			1,560	
Sturtevant & Haley Co., Cambridge, Mass.	45			
United Dressed Beef Co., New York, N. Y.	3,824			
White, Pevey & Dexter Co., Worcester, Mass.			2,923	
Wisconsin Packing Co., New Richmond, Wis.	633			
B. Bartusch, St. Paul, Minn.	4,000			
N. Cohn, St. Paul, Minn.	3,483	1,102		
A. Davis, St. Paul, Minn.	60			
Feinberg & O'Connell, Minneapolis, Minn.	1,246	25		
G. Fishman, St. Paul, Minn.	1,242	12	168	
B. Kasowitz, St. Paul, Minn.	37			
M. Rifkin, St. Paul, Minn.	7,266	728		
M. & S. Simon, St. Paul, Minn.	8,331	1,372		
DEALERS.				
Bangs, Berry & Carson.	17,520	133	20,886	528
Barry Cattle Co.	8,428	212	1,210	3,012
Barton Cattle Co.	8,164	151	278	
W. A. Barton & Co.	52			
Becker & Co.	10,033	620		1,459
Bradshaw & Clark.	32,086	795		
Brooks & Moncur.	4,723	22		
Canadian Cattle Co.	12,956	392		18
Crabtree, J. R., & Co.	828	191	34,873	
Conboy & Fahey.	5			

Statement of disposition of live stock to packers, butchers, and dealers—Con.

1918—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
DEALERS—continued.				
Fishman Cattle Co.....	1,447	193		
Fitzgerald, J. B.....	252	107		
Freeman & Son.....	3,997	148		
Gearen & Carson.....	7,319	241		
Grisim & Page.....	25,328	462	11	
Geo. Grisim.....	9,793	127	23,308	
Iowa Cattle Co.....	6,041	125	201	
Johnson Bros.....	12,358	797		
Paul Johnson.....	8	18		
King Cattle Co.....	23,438	375		
J. R. King.....	3,589	160	2,413	
Landerdale Cattle Co.....	16,970	457		
J. Levine.....	1,294			
F. Luhrs.....	17	2		
McGuire, D. H.....	18,426	673		
Melady Cattle Co.....	19,659	273		
Montana Cattle Co.....	10,075	592	31	
National Cattle Co.....	12,253	186	477	
Nolan, Smith & Co.....	8,754	511		
Northern Cattle Co.....	8,246	365	154	144
Raeburn, Wm.....	2			
E. Ramsey & Co.....	2,386	571	2	
Ross Condon & Co.....	5,815	99	4,031	
Schulze Bros.....	7,165	186		338
Slimmer & Thomas.....	26,498	884		
Standard Cattle Co.....	10,507	478		
Swanson & Gearen.....	22,443	1,178		
Throckmorton & Co.....	9,106	272		
Thuet, P. A., & Co.....	24,360	1,699	17,041	
Country buyers.....	443,817	26,206	167,121	104,989

1917.

PACKERS AND BUTCHERS.				
Swift & Co., South St. Paul, Minn.....	321,727	140,437	1,072,484	113,845
Katz & Hertz, South St. Paul, Minn.....	12,559	645	1,667	563
Hinman & Co., South St. Paul, Minn.....	3,693	1,286	6	67
R. J. King, South St. Paul, Minn.....	2,460	3,684	1,218	2
Armour & Co., Chicago, Kansas City, Omaha, Sioux City, East St. Louis, South St. Joseph.....	51,405	1,604	459,207	
Wilson & Co., Chicago and New York.....	9,593	2,060		
Cudahy Packing Co., Kansas City, Omaha, Sioux City, Iowa.....	255	5,790	5,073	1,612
Cudahy Bros. Co., Cudahy, Wis.....	2,643		6,398	
Morris & Co., Chicago and Peoria, Ill.....	10,743	150		
Swift & Co., Chicago, East St. Louis, Kansas City, South St. Joseph.....	36,907		3,983	2,898
J. Agar & Co., Chicago, Ill.....	80			
Albert Lea Packing Co., Albert Lea, Minn.....	4,470	3,491		
Anglo-American Provision Co., Chicago, Ill.....	64			
Ralph Baihly, Rochester, Minn.....	163			
Buffalo Meat Co., Buffalo, Minn.....	23			
Chicago Packing Co., Chicago, Ill.....	142			
Cleveland Abattoir, Cleveland, Ohio.....	364			
Columbus Canning Co., Columbus, Wis.....	36			
M. Crane, New York, N. Y.....			8,896	
Dakota Meat Co., Jamestown, N. Dak.....	27			
E. W. Davis, New York, N. Y.....			9,590	
J. E. Decker & Sons, Mason City, Iowa.....	2,011	2,839	11,790	267
Dixon & Lindley, Jersey City, N. J.....			425	
Drummond Packing Co., Eau Claire, Wis.....	334		1,446	
Elliot & Co., Duluth, Minn.....	427			
Farmers Cooperative Packing Co., Wausau, Wis.....	55		235	
Fergus Packing Co., Fergus Falls, Minn.....	65			
Figge & Hutwelker, New York, N. Y.....			765	
Fort Dodge Packing Co., Fort Dodge, Iowa.....			136	
Fostoria Provision Co., Fostoria, Ohio.....	190			
Guggenheim Bros., Chicago, Ill.....	4,258	716		
S. B. Hodges Co., Pittsburgh, Pa.....			209	
Geo. A. Hormel & Co., Austin, Minn.....	1,970	262	79,329	
Independent Packing Co., Chicago, Ill.....	492	95	1,036	
Inter County Packing Co., New Richmond, Wis.....	330		17	
Interstate Packing Co., Winona, Minn.....			2,509	
Iowa Packing Co., Des Moines, Iowa.....	79		946	
J. Kiewell, Fergus Falls, Minn.....	432			

Statement of disposition of live stock to packers, butchers, and dealers—Con.

1917—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
PACKERS AND BUTCHERS—continued.				
F. Kneeskern, Castalia, Iowa.....	394	19		
Kohrs Packing Co., Davenport, Iowa.....	376			
Kunbar Packing Co., Elgin, Ill.....	21			
Lake Erie Provision Co., Cleveland, Ohio.....	25			
Levine Bros., Duluth, Minn.....	352	424	880	31
Luley Abattoir, St. Paul, Minn.....	1,232	106		
J. T. McMillan Co., St. Paul, Minn.....			1,897	
Major Bros. Packing Co., Mishawauka, Ill.....	70			
Mohr Meat Co., Sault Ste. Marie, Mich.....	99	11		
Morrell & Co., J., Ottumwa, Iowa and Sioux Falls, S. Dak.....	414	57	4,290	
New Richmond Packing Co., New Richmond, Wis.....	1,121			
North Packing & Provision Co., Cambridge, Mass.....			2,877	
Ohio Provision Co., Cleveland, Ohio.....	69		276	
Parker Webb & Co., Detroit, Mich.....			5,918	
Pfælzer & Sons, L., Chicago, Ill.....	28			
Plankinton Packing Co., Milwaukee, Wis.....	683			
Rath Packing Co., Waterloo, Iowa.....			2,519	
Reiland Packing Co., Eau Claire, Wis.....	1,016		1,690	
Schrag & Muth, New York, N. Y.....			3,413	
Siebel Hechinger Packing & Provision Co., Chicago, Ill.....	1,126			
T. M. Sinclair, Cedar Rapids, Iowa.....	6,033			
South Dakota Provision Co., Sioux Falls, S. Dak.....			6,214	
United Dressed Beef Co., New York, N. Y.....	3,410			
G. B. Wilson, Jersey City, N. J.....			497	
G. Bartusch, St. Paul, Minn.....	2,876	321		
N. Cohn, St. Paul, Minn.....	1,645	854	1,569	
A. Davis, St. Paul, Minn.....	991	11	552	
E. A. Drews, Minneapolis, Minn.....	205	11	133	
Feinberg & O'Connell, Minneapolis, Minn.....	1,080	10	37	
G. Fishman, St. Paul, Minn.....	4,763	104		
L. Hertz, St. Paul, Minn.....	160	2		
B. Kasowitz, St. Paul, Minn.....	886	114		
E. Ramsey, St. Paul, Minn.....	264	27		
M. Rifkin, St. Paul, Minn.....	2,161	723		
M. & S. Simon, St. Paul, Minn.....	3,690	2,866		
DEALERS.				
Bangs, Berry & Co.....	13,190	108	81,932	
Barry Cattle Co.....	3,553	135	559	
Barton Cattle Co.....	10,842	526		
Becker & Co.....	12,157	1,363		
Bradshaw & Clark.....	18,463	741	141	
Canadian Cattle Co.....	6,173	303		
Conboy Bros. & Fahey.....	19		126	
Crabtree, J. R.....	72		67,706	
Dakota L. S. & I. Co.....	1,151	102		
Fitzgerald, J. B.....	1,792	38		
Freeman, E., & Son.....	8,503	396		
Grisim & Page.....	22,110	1,411		
Grisim, George.....	7,909	701		
Iowa Cattle Co.....	5,199	461		
P. Johnson.....	158	229	6	
Johnson Bros.....	9,047	1,293		
King Cattle Co.....	14,435	1,310		
King, J. R.....	2,654	494		
Lauderdale Cattle Co.....	18,144	801		
McGuire, D. H.....	10,091	807		
Melady Cattle Co.....	27,278	1,189		
Montana Cattle Co.....	7,621	579		
Morrissey & Rogers.....	116	5		
Nolan, Smith & Co.....	10,710	743		
Northern Cattle Co.....	8,789	858		
Ross & Condon.....	7,796	161	12,365	
Schulze Bros.....	5,356	238		
Slimmer & Thomas.....	30,203	1,469	282	
Swanson & Gearen.....	12,081	1,420		
Throckmorton & Lang.....	14,242	693		
Thuet, P. A. & Co.....	26,398	4,549		

Statement of disposition of live stock to packers, butchers, and dealers—Con.

1916.

PACKERS AND BUTCHERS.

	Cattle.	Calves.	Hogs.	Sheep.
Swift & Co., South St. Paul, Minn.	225,429	112,386	1,543,270	150,161
Katz & Hertz, South St. Paul, Minn.	14,031	1,591	2,788	4,733
Bronson & Wight, South St. Paul, Minn.	1,137	182	69	1,575
R. J. King, South St. Paul, Minn.	2,280	3,288	2,000	225
Brennan, Harknett & Co., South St. Paul, Minn.	1,443	165	42	127
Hinman & Co., South St. Paul, Minn.	415	154		
Armour & Co., Chicago, Ill.	24,407	5,759	790,815	240
Swift & Co., Chicago, Ill.	5,326			
Wilson & Co., Chicago, Ill.	10,314	28		478
Cudahy Packing Co., Sioux City, Iowa.				
Cudahy Bros. Co., Cudahy, Wis.	911	5,450	15,616	590
Morris & Co., Chicago, Ill.	330		3,729	
J. Agar & Co., Chicago, Ill.			682	
Bimble & Co., Kearney, N. J.			23,376	
Columbus Canning Co., Columbus, Wis.			156	
J. E. Decker & Sons, Mason City, Iowa.	587		10,489	
Drummond Packing Co., Eau Claire, Wis.	45		3,029	
Elliott & Co., Duluth, Minn.	159		2,120	
Farmers Cooperage Packing Co., Wausau, Wis.			2,328	
Fergus Packing Co., Fergus Falls, Minn.	214	168	85	
Hammond, Standish Co., Detroit, Mich.			4,720	
S. B. Hedges Co., Pittsburgh, Pa.			496	
Geo. A. Hormel & Co., Austin, Minn.	2,217	416	103,007	
Independent Packing Co., Chicago, Ill.	69		997	
Interstate Packing Co., Winona, Minn.			7,762	
Kiagan & Co., Indianapolis, Ind.	31		15,617	
Luley Abattoir, St. Paul, Minn.	415			
J. T. McMillan Co., St. Paul, Minn.			19,913	
J. Morrell & Co., Ottumwa, Iowa, and Sioux Falls, S. Dak.	94		7,274	
New England D. M. Co., Boston, Mass.			1,609	
North Packing & Provision Co., Boston, Mass.			21,835	
Onalaska Packing Co., Onalaska, Wis.	30			
Parker Webb & Co., Detroit, Mich.			2,218	
Peerless Packing & Provision Co., Chicago, Ill.	619		271	
Plankinton Packing Co., Milwaukee, Wis.	44			
Rath Packing Co., Waterloo, Iowa.			2,503	
Reiland Packing Co., Grand Rapids, Wis.			3,245	
J. P. Squire & Co., Boston, Mass.			7,368	
Stovers Packing Co., Scranton, Pa.			179	
Sulzberger & Sons, Jersey City, N. J.	423			
United Dressed Beef Co., New York, N. Y.	1,074			
T. M. Sinclair, Cedar Rapids, Iowa.	2,420	1,502	1,069	
G. Bartusch, St. Paul, Minn.	3,930		162	
N. Cohn, St. Paul, Minn.	1,153	265		
A. Davis, St. Paul, Minn.	382	30	67	
E. A. Drews, Minneapolis, Minn.	531	153	118	
Feinberg & O'Connell, Minneapolis, Minn.	1,362	63	174	
G. Fishman, St. Paul, Minn.	1,277	50		
M. Fink, St. Paul, Minn.			15	
B. Kasowitz, St. Paul, Minn.	605	123		
M. Rifkin, St. Paul, Minn.	223	56		
M. Simon, St. Paul, Minn.	1,290	746		
S. Simon, St. Paul, Minn.	44	22		

DEALERS.

Baigs & Berry	16,370	813	19,641	
Barton Cattle Co.	16,405	927	3,676	
Barton & Crabtree			56,054	
Canadian Cattle Co.	8,378	1,052		
J. H. Crabtree			4,487	
Dakota Cattle Co.	5,763	1,390		
J. B. Fitzgerald	1,078	30		
E. Freeman & Son	3,367	508		
Grisim & Page	14,976	984		
Geo. Grisim	12,279	686		
Iowa Cattle Co.	5,144	693		
King Cattle Co.	24,422	2,054		
J. H. King	4,099	1,420		
Lauderdale Cattle Co.	18,249	765		
McGuire Cattle Co.	16,819	1,462		
Melady Cattle Co.	41,867	3,418		
Montana Cattle Co.	2,678	215		
Nolan Smith & Co.	20,936	2,052		
Northern Cattle Co.	2,423	388		
Slimmer & Thomas	44,248	2,214		
Swanson & Gearen Co.	18,124	1,349	130	
Rude Canton & Johnson	5,302	316		

Statement of disposition of live stock to packers, butchers, and dealers—Con.

1916—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
DEALERS—continued.				
P. A. Thuet & Co.....	25,979	4,639		
Johnson Bros.....	808	114		
H. F. Ross & Co.....	1,896	45		
R. E. Wood.....	34			
T. Leihat.....	11	3		
Morrissey & Rogers.....	5,011	340		
Conboy & Fay.....	38	40		
Hartnett & Berry.....	532	2		
J. D. Hoffman.....	1,185	114		
P. Johnson.....	15	20		

1915.

PACKERS AND BUTCHERS.				
Swift & Co., South St. Paul, Minn.....	218,681	90,519	1,321,202	170,245
Katz & Hertz, South St. Paul, Minn.....	10,157	818	2,894	7,732
Bronson & Wight, South St. Paul, Minn.....	1,714	938	508	1,317
R. J. King, South St. Paul, Minn.....	1,693	2,674	1,498	1,061
Armour & Co., Chicago, Ill.....	12,007		494,714	
Cudahy Packing Co., Sioux City, Iowa.....	2,752	2,755	22,776	2,759
Cudahy Bros. Co., Cudahy, Wis.....				
Morris & Co., Chicago, Ill.....	657		2,821	
Swift & Co., Chicago, Ill.....	8,430		39,861	857
Albert Lea Packing Co., Albert Lea, Minn.....	184			
Bimble & Co., Harrison, N. Y.....			18,165	
E. A. Blackshire, Baltimore, Md.....			5,902	
Columbus Canning Co., Columbus, Wis.....	31			805
J. E. Decker & Sons, Mason City, Iowa.....	226		5,534	
J. Dold Packing Co., Buffalo, N. Y.....			474	
Drummond Packing Co., Eau Claire, Wis.....	21		863	
Elliott & Co., Duluth, Minn.....	33			
Fergus Packing Co., Fergus Falls, Minn.....	70		406	
Postoria Provision Co., Postoria, Ohio.....	23			
H. Gifford, Berwick, Iowa.....	36			
P. S. Gifford, Mingo, Iowa.....	40			
Hammond, Standish Co., Detroit, Mich.....			110	
Hartisford Canning Co., Woodland, Wis.....	33			
Geo. A. Hornel & Co., Austin, Minn.....	839	22	48,517	
Interstate Packing Co., Winona, Minn.....			1,606	
Kneeskern & Witt, Castalia, Iowa.....	64			
Kobra Packing Co., Davenport, Iowa.....	161			
Langdon & M., Buffalo, N. Y.....			192	
Luley Abattoir, St. Paul, Minn.....	222			
J. T. McMillan Co., St. Paul, Minn.....			26,983	
J. Morrell & Co., Sioux Falls, S. Dak.....			6,233	
Nagle Packing Co., Detroit, Mich.....				424
North Packing & Provision Co., Boston, Mass.....			10,471	
Ohio Provision Co., Cleveland, Ohio.....			524	
Parker Webb & Co., Detroit, Mich.....			592	
Peerless Packing & Provision Co., Chicago, Ill.....	998			
Plankinton Packing Co., Milwaukee, Wis.....				243
Rath Packing Co., Waterloo, Iowa.....			1,259	
Reiland Packing Co., Grand Rapids, Wis.....	147	63	304	
T. M. Sinclair & Co., Cedar Rapids, Iowa.....				2,874
Spoett & Barnes Co., New Haven, Conn.....			8,719	
Springfield Provision Co., Springfield, Mass.....			6,311	
J. P. Squire & Co., Boston, Mass.....			8,227	
Stovers Packing Co., Chicago, Ill.....	27		2,158	
Snitzberger & Sons, Jersey City, N. J.....	2,573			575
United Dressed Beef Co., New York, N. Y.....	1,025			
Windsor Bros., Buffalo, N. Y.....			170	
White, Pevey & Dexter Co., Worcester, Mass.....			9,216	
J. Zoller, Airport, Iowa.....	31			
Cleveland Provision Co., Cleveland, Ohio.....			4,736	
G. Bartusch, St. Paul, Minn.....	3,377	112		
N. Cohn, St. Paul, Minn.....	808	68		
A. Davis, St. Paul, Minn.....	520	22		
D. A. Drews, Minneapolis, Minn.....	814			
Feinberg & O'Connell, Minneapolis, Minn.....	1,428	57		
B. Feinberg, St. Paul, Minn.....	2,091	1	376	
G. Fishman, St. Paul, Minn.....	718	347		
A. Goldberg, St. Paul, Minn.....	32	5		
B. Kasowitz, St. Paul, Minn.....	596	9		
M. Rifkin, St. Paul, Minn.....	1,278	157		
M. Simon, St. Paul, Minn.....	1,732	1,049		

Statement of disposition of live stock to packers, butchers, and dealers—Con.

1915—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
DEALERS.				
Bangs, N. S. & Co.	6,902			
Becker & Co.	26,215			
Barton & Crabtree	16,681			
Bovey & Humphreys	26,026			
Canadian Cattle Co.	3,783			
Conboy, Bros. & Fahey	18			
Freeman, E., & Son	3,794			
Fitzgerald, J. B.	1,959			
Grisim & Page	14,853			
Grisim, Geo.	914			
Hartnott, Throckmorton & Co.	10,803			
Iowa Cattle Co.	4,152			
Johnson, J.	84			
Johnson, Paul E.	12			
King, E. D.	28,695			
King, J. R.	4,632			
Lauderdale Cattle Co.	17,468			
Lans & Berry	14,252			
McLardy Cattle Co.	73,650			
Morrissey & Rogers	2,124			
McGuire, D. H.	3,318			
Nolan Smith & Co.	10,831			
Patterson	311			
Slimmer & Thomas	49,548			
Swanson, C. L., & Co.	16,830			
Schwarzchild & Sulzberger	573			
Thuet, P. A., & Co.	25,778			
Wood, P. E., & P.	1,014			
Total for dealers	365,220			
PACKERS AND BUTCHERS.				
Swift & Co., South St. Paul, Minn.	164,760	70,974	1,045,035	231,184
McCormick Packing Co., South St. Paul, Minn.	154	4	136	910
Katz & Hertz, South St. Paul, Minn.	5,739	965	1,537	5,706
Bronson & Wight, South St. Paul, Minn.	1,641	1,075	880	3,101
R. J. King, South St. Paul, Minn.	2,112	2,774	1,473	2,892
Armour & Co., Chicago, Ill.	1,155		326,852	10,140
Cudahy Packing Co., Sioux City, Iowa		3,538	6,218	8,703
Cudahy Bros. Co., Cudahy, Wis.	377			
STATE BUTCHERS.				
Albert Lea Packing Co., Albert Lea, Minn.; Fergus Packing Co., Fergus Falls, Minn.; Elliott & Co., Duluth, Minn.; Geo. A. Hormel & Co., Austin, Minn.; Interstate Packing Co., Winona, Minn.	700	17	39,043	
CITY BUTCHERS.				
G. Bartusch, St. Paul, Minn.; N. Cohn, St. Paul, Minn.; A. Davis, St. Paul, Minn.; E. A. Drews, Minneapolis, Minn.; Feinberg & O'Connell, Minneapolis, Minn.; G. Fishman, St. Paul, Minn.; B. Kasowitz, St. Paul, Minn.; Luley Abattoir Co., St. Paul, Minn.; J. T. McMillan Co., St. Paul, Minn.; M. Rifkin, St. Paul, Minn.; M. Simon, St. Paul, Minn.	1,338	53	32,562	40
OUTSIDE PACKERS.				
Bimbler & Co., Harrison, N. J.; Cleveland Provision Co., Cleveland, Ohio; J. E. Decker & Sons, Mason City, Iowa; Drummond Packing Co., Eau Claire, Wis.; J. Dold Packing Co., Buffalo, N. Y.; Kohrs Packing Co., Davenport, Iowa; J. Morrell & Co., Sioux Falls, S. Dak.; Morris & Co., Chicago, Ill.; Ohio Provision Co., Cleveland, Ohio; Peerless Packing Co., Chicago, Ill.; Plantington Packing Co., Milwaukee, Wis.; Rath Packing Co., Waterloo, Iowa; Reiland Packing Co., Grand Rapids, Wis.; Sperry & Barnes Co., New Haven, Conn.; J. P. Squire & Co., Boston, Mass.; Stowers Packing Co., Chicago, Ill.; Sulzberger & Sons, Jersey City, N. J.; Swift & Co., Chicago, Ill.; United Dressed Beef Co., New York, N. Y.; White, Fevey & Dexter Co., Worcester, Mass.	9,093	233	86,465	11,467

Statement of disposition of live stock to packers, butchers, and dealers—Con.

1915—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
DEALERS.				
Bangs, & N.....	6,618			
Larton, Berry & Carson.....	16,883			
Barton Son & Bailey.....	2,239			
B. Becker & Co.....	14,356			
Bovey & Humphries.....	3,724			
Dakota Cattle Co.....	4,523			
J. B. Fitzgerald.....	2,704			
E. Freeman.....	3,133			
Grisim & Page.....	8,292			
G. L. Haakinson.....	4,331			
Hartnett & Smith.....	7,330			
A. B. Henness.....	17			
Icwa Cattle Co.....	339			
Paul Johnson.....	77			
E. D. King.....	18,983			
J. King.....	78			
J. P. King.....	497			
Lauderdale Cattle Co.....	14,049			
D. H. McGuire.....	25			
Melady Cattle Co.....	13,984			
Slimer & Thomas.....	46,198			
C. L. Swanson.....	7,740			
Swanson & Gearen.....	3,177			
P. A. Thust.....	15,398			
F. A. Whitman.....	208			
Total for dealers.....	195,403			

These lists will show that there are about 73 buyers of butcher stock and about 39 buyers of stockers and feeders who resell their animals to go to the country.

You will readily understand that the buyers and sellers do the trading in live stock and that the stockyards company does not in any way participate in the trading. It can not therefore exert any influence on the market prices agreed upon between buyers and sellers.

The stockyards company's part in the marketing of live stock is to unload the animals from the cars, feed them, deliver them to consignees, yard them after they are sold and weighed, load them into cars for shipment when ordered out. The stockyards company is the custodian of the live stock when it is not in custody of the owners or their agents. If you or any other body of men will show me wherein the stockyards company has entered or can enter into any conspiracy to fix or control the prices of meat animals, I will esteem it a favor.

The history of the St. Paul Union Stockyards Co. is in many respects like the history of the other markets that have been established west of Chicago. It was organized in 1886 and began business in 1887. It was founded by Mr. A. B. Stickney, formerly president of the Chicago Great Western Railroad, and now deceased. His principal associates were English capitalists who were also interested in the Chicago Great Western Railroad. A large majority of those stockholders or their heirs still hold their stock and have held it all these years hoping for some returns on it. Some real estate was sold in the first two years after the company was organized and dividends aggregating 11 per cent on the capital of

\$1,000,000 were paid. The company had built two small packing plants and leased them to small packers.

The property passed through all the vicissitudes of panics, floods, and fires and was unable to earn the interest on its bonds and meet operating expenses. It borrowed money from its bondholders to make needed improvements to replace portions of its yards that were worn out. Its small packers faded away, and it was confronted with competition from a plant located near Minneapolis. About that time, 1897, Mr. Stickney succeeded in interesting Mr. G. F. Swift in the property by giving him a half interest; that was G. F. Swift, Sr., who is now dead.

The half interest at that time was a liability rather than an asset, as the Minnesota law fixed a 100 per cent stock liability on the capital stock of corporations of that character. The company was broke but had found its savior.

It is interesting to read the annual report of the president of the stockyards, my predecessor, covering the operations for the year 1899. He says, in part:

The yards have now attained a recognized position as a general live-stock market; and the increasing receipts make it necessary to carry out some plans for improving the facilities as well as the physical condition of the yards and pens.

Again, in his report for the year 1900 he says:

This business has grown beyond any plans originally made for its accommodation.

I have heard Mr. Stickney say that he offered the property to packers all over the country and considered that the best trade he ever made in his life was when he "hooked old man Swift," as he put it.

Now that the market, in point of carloads of live stock handled, has, during the past three years occupied fifth place in the list of live stock markets, the policies and service to the public which brought it to that position are the subjects of legislative attacks, and we are told that the Federal Government is the only agency qualified to properly administer its affairs.

If packer ownership or control is detrimental to stockyards, why is it, that almost any western city with any sort of aspirations for a live stock market would be willing to offer a large subsidy to any one of the so-called "Big Five Packers," to locate a packing plant within its limits?

I have served in stockyards owned by small packers, by bankers and by big packers so that my personal observation covers the three classes of control. In the matter of building up the property, the small packers couldn't and the bankers wouldn't. The big packers were the only ones who would let us spend money on the property. They were not looking for dividends. They were looking for service. They knew that service would build the market and dividends would deplete it.

It was not an easy matter to finance this property even 12 years ago when I was placed in charge. I well remember in the fall of 1907 I had difficulty in persuading St. Paul bankers that the market was sufficiently established to warrant a line of credit amounting to \$125,000. There was much talk that Armour & Co. would build a

rival institution on land which it had purchased near Minneapolis. In view of the deductions drawn by the Federal Trade Commission from the evidence it collected, it is difficult to understand why Armour should desire to start a yard and plant in competition with the Swift plant at South St. Paul. He did so desire, however, and it hurt the credit of the stockyards company. Since Armour & Co. started to construct a plant at South St. Paul, I have had less trouble in borrowing \$600,000 than I had in procuring \$125,000 in 1907.

The property owned by the St. Paul Union Stockyards Co. comprises about 254 acres of bottom land on the Mississippi River. This land was subject to flood and it was necessary to put from four to six feet of fill on it and protect it with levees to keep out the water. There are about 86 acres inside the yard limits. Eighty acres are paved with concretes and brick. Beneath the surface lie 12 miles of water pipes and 17 miles of sewers. The yards are laid out in 48 blocks approximately 200 feet by 240 feet. We have one triple-deck and three double-deck concrete hog houses. There are 92 unloading chutes, of which 40 contain compartments for two cars each. There are 3,461 pens of all kinds. .

The capacity of the yards, including storage of animals sold and the space occupied by dealers, is 39,000 cattle, 49,000 hogs, 27,000 sheep, and 500 horses. The daily working capacity is, of course, somewhat less, but we had at one time last fall in the yards 25,000 cattle, 25,000 hogs, and 25,000 sheep.

Its earnings, with the exception of the 11 per cent dividends from sales of real estate heretofore mentioned, were used to develop the property until October 1, 1916. At that time the first issue of bonds amounting to \$1,994,000 was due. These bonds were refunded by the sale of \$1,500,000 of a new issue and the payment of \$500,000 in cash which we had on hand for improvements. We afterwards borrowed about \$600,000 to pay for new work. A stock dividend of 25 per cent, amounting to \$500,000, was declared from accrued surplus. Also on that date began the payment of 1 per cent quarterly dividend on our \$2,500,000 capital. The payment of the stock dividend left our capital liabilities at \$2,500,000 of stock and \$1,500,000 of bonds as against \$2,000,000 of stock and about \$2,000,000 of bonds. The shift of \$500,000 of liabilities from 5 per cent bonds to capital stock that pays only 4 per cent effected a saving of \$5,000 per year in fixed charges.

In the past 5 years the surplus earnings of the company have averaged about \$315,000. Those years were our most prosperous ones. The aggregate amount spent for additions and betterments, exclusive of repairs or additional personal property, was about \$1,208,000. During that same period we were entitled to charge into reserve for depreciation an aggregate of about \$248,000, based on regulations governing collection of income tax, which is not reflected in the amount of surplus earnings heretofore stated but which was charged against those earnings. Its property is worth more than \$5,000,000.

Its stockholders number 92, of which 67 are English stockholders as per list herewith submitted.

The holdings of stock are classified as follows:

Swift & Co. and Armour & Co. have no stock in the name of the corporations, but it is in the name of different individuals; and I group them together because you do not care who owns them, what you want to know is what Swift & Co. has got and what Armour & Co. has got.

Swift & Co. interests	Shares.
Armour & Co. interests	9,805
English interests	6,100
Scattered interests	8,175
	920
Total	25,000

From this it will be seen that the English and scattered holdings amount to about 36 per cent of the total capital.

(The list referred to above is as follows:)

St. Paul Union Stockyards Co., list of stockholders revised to Dec. 20, 1918.

	Number of shares.
Agnew, W. Lockett, 43 Old Bond Street, London, England	300
Alexander, Walter Cleverly, 24 Lombard Street, London, E. C.	50
Alexander, Agnes Mary, Aubrey House, Campden Hill, London	25
Alexander, Rachel Frances, Aubrey House (Kensington W.) London	25
Alexander, Jean Ingelow, Aubrey House (Kensington W.) London	25
Armour, J. Ogden, care of Armour & Co., Chicago, Ill	90
Ashton, Thomas Gair, Baron of Hyde, Vinehall, Tobertsbridge, Sussex, England	125
Ashton, Samuel Edgar, Hayscroft, West Didsbury, Manchester, England	125
Bangs, J. S., care of Swift & Co., South St. Paul	5
Banister, W. Lake, Ernest John, care of Robert Benson & Co., London	358
Banning, Lucile Stickney, care of Wight Kibbee & Co., St. Paul	10
Barclay, John, Christ Church, Oxford, England	20
Baring Bros. & Co. (Ltd.), 8 Bishopsgate, London, E. C.	50
Barnett, Chas. Edward, Lloyds Bank (Ltd.), 72 Lombard Street, London	50
Benson, C. W., & Co., 200 Metropolitan Building, St. Paul	8
Benson, Guy H., Robert Benson & Co., London, Vernett, H. & Rowe, Thomas, Robert Benson & Co., London	765
Benson, Robert & Co., 26 Old Broad Street, London, E. C.	160
Brocklebank, Aubrey, care of Robert Benson & Co., London	170
Brocklebank, Rev. Chas. Henry, care of Benson & Co., London	165
Brocklebank, Harold, care Robert Benson & Co., London	165
Brown Bros. & Co., 59 Wall Street, New York, N. Y.	100
Butler, Harriet J., and Butler, Harold E., 14 Norham Gardens, Oxford, England, and New College, Oxford, England	25
Carter, Chas. Francis Courtenay, care Robert Benson & Co., London	120
Carton, L. A. care Swift & Co., Chicago, Ill	9
Chetham, H. A., care Swift & Co., Chicago, Ill	3,985
Croll, Frederick W., care Armour & Co.	5,010
Cropper, Chas. James, Ellergreen, Kendal, England	50
Davies-Williams (Harriet Katherine) & Lesse (Chas. Philip) 30 Cross Street, Manchester, England	20
Dinelay, Emily Margaret, the Priory-Berwick St. John, Salisbury, England	25
Dunlop, Ker D., 200 Metropolitan Building, St. Paul	1,079
Earle, Nicholas Albert, 54 Brown Street, Manchester, England	100
Fordham, Rupert Oswald, Broome Hall, Biggelswade, England	75
Gilliat, John K., & Co., 7 Crosby Square, London, E. C.	91
Gow, Chas. & Clodd, Edw., care London Joint Stock Bank, (Ltd.), 5 Princes Street, London	500
Greve, Joseph, care Wm. E. Lauer & Co., 74 Broadway	24
Greve, Lucius, care Wm. E. Lauer & Co., 74 Broadway	24
Handy, Edward R., South St. Paul	1

	Number of shares.
Head, Florence, Julia (Lady Head) Westminster Palace Hotel, 4 Victoria Street, London, S. W.	25
Hodge, Ruth Stickney, Redlands, Cal.	10
Holford, Geo. Lindsay, care Robt. Benson & Co., London	35
Horner (Mrs.) Frances Jane, Mells Park, Frome, England	10
Intern'l Inv. Trust (Ltd.), Winchester House, London, E. C.	250
Joy, Chas. P., 555 Laurel Avenue, St. Paul	5
Lake, E. J., care Robt. Benson & Co., London	300
Lamb (Mrs.) Mabel, Bordon Wood Liphook Hants, England	100
Lidderdale (Mrs.) Mary Martha, 113 Ashley Gardens, Victorial Street, London, S. W.	20
Lindesay, Maj. Edward, Messrs. Cox & Co., 43 Charing Cross, London, S. W.	10
Lister, Grace, 24 Devonshire Place, London, W.	25
Magivny, Wm., St. Paul, Minn.	102
Mainwaring, C. F. K. Okeley, Ellesmere, Salop. England	50
McKechnie, A. A., St. Paul, Minn.	1
McKechnie, A. R., 647 Holly Avenue, St. Paul	5
McKechnie, Ruth S., 647 Holly Avenue, St. Paul	20
Mercantile Inv. & Gen. Trust Co. (Ltd.), 105 Winchester House, London, E. C.	100
Merchants Trust (Ltd.), The, 4 Crosby Square, London, E. C.	300
Moon, Jas. P., care of Swift & Co., Chicago	1,000
Neale, (Mrs.) Alice, Thorndene Kensington Avenue, Cheltenham, England	5
Noble, Leonard, Harpsden Court, Henley on Thames, England; Diggle, Wadhani Neston, Bratton House, Westbury Wilts, England; Noble, Heatley, Temple Combe, Henley on Thames, England	10
Noakes, Robert Cecil, & Rowe, Thomas, care of Benson & Co., London	400
Peirson, Geo. A., care of Swift & Co., Chicago, Ill.	19
Pettit, Frank Charles, Bourne Cottage, Hayes Kent, England, also care of C. J. Hambro & Son, 70 Old Broad Street, London, E. C.	175
Rathbone Bros. & Co., 2 Fenchurch Street, London, E. C.	250
Robbins, Geo. B., care of Armour & Co., Chicago	1,000
Rogers, N P., South Saint Paul	19
Romilly, Cosmo; & Bårdyne, D. G. Bruce, 15 George Street, Mansion House, London	200
Rowe, Henry, care of Robt. Benson & Co., London	20
Rowe, Richard, care of Robt. Benson & Co., London	20
Rowe, Thomas, care of Robt. Benson & Co., London	123
Rowe, Thomas, & Banister, Wm. Thomas, care of Robt. Benson & Co., London	646
Sawbridge, Mrs. Bertha, Denford, Hungerford, Berks, England	42
Schram, G., 23 Wall Street, New York	425
Sneve, Katherine Stickney, 142 Mississippi River Boulevard, Saint Paul	10
Solly, J. Raymond, 19 Saint Thomas Mansions, Stangate, London, S. E.	15
Spier, Julius, 25 Camomile Street, London, E. C.	100
Spring-Rice, Cicely Henrietta, Sprivers Horsmonden-Kent, England	25
Stickney, Alpheus B., 11, 237 Terrace (E), Chattanooga, Tenn.	1
Stickney, Chas. A., 237 Terrace (E), Chattanooga, Tenn.	21
Stickney, Chas. A., jr., 237 Terrace (E), Chattanooga, Tenn.	1
Stickney, Edith P., 237 Terrace (E), Chattanooga, Tenn.	1
Stickney, Emily P., 237 Terrace (E), Chattanooga, Tenn.	1
Stickney, Adams, Charlotte, 91 Maple Street, Englewood, N. J.	10
Swift, L. F., Union Stockyards, Chicago	89
Taylor, J. H., 516 E. Fortieth Street, Chicago	60
Troughton, Chas. Willis, 4 Sun Court, Cornhill, London, E. C.	20
Veeder, Henry, 76 W. Monroe Street, Chicago	1,000
Vernet, H. A., care of Robt. Benson & Co., London	30
Ward, E. L., care of Swift & Co., Chicago	3,657
Welles, Jean Stickney, 2011 Pillsbury Avenue, Minneapolis	10
Wight, R. C., 90 E. Fourth Street, St. Paul	96
Wight, Grace L., 370 Mississippi River Boulevard, St. Paul	52
Winkworth, Steven Dickenson, 13 Craven Hall Gardens, London, W.	100
Wilson, Robert Hutton, Eggescliffe, Yarm on Tees, England	50
Total	25,000

The total number of employees is about 500 and the 1918 pay roll exclusive of that charged to construction is about \$560,000. The employees in the operating force the yards exclusive of foremen and superintendents average around \$110 to \$120 per month. In 1914 the average was about \$54 per month.

These employees must be trained in the loading and unloading of live stock and in scale operations. They must learn the locations of different firms in the yards and must at all times be alert and efficient to keep each owner's stock from being mixed in the alleys and to see that there is no mis-yarding of stock. Great speed is necessary in operation to handle the volume of business each day. At the scales, we weigh and yard from 60 to 80 drafts per hour. All this means large sums expended for facilities and a competent force of men. Can their places be filled by political retainers, in the event of Federal operation, without detriment to public interests?

Mr. SWEET. I do not know that I understand your statement in regard to Federal retainers. Please just read that again.

Mr. MCGIVNEY. I did not make a statement. I submitted an interrogatory asking if the places of these competent men of ours could be filled by political retainers in the event the Government takes control and operation of the property. I do not think so.

Mr. SWEET. I simply wanted to understand your statement. I did not understand it at first.

Mr. MCGIVNEY. That was an interrogatory.

The CHAIRMAN. You mean it as a part of your statement, however?

Mr. MCGIVNEY. Oh, of course. It is in there. I submit that as a matter of reflection for the committee, for them to think over and consider.

The number of animals received during 1918 was:

Cattle and calves	1,430,408
Hogs	2,061,390
Sheep	630,203
Horses	6,541
Total	4,128,542
Total carloads	75,918

There is no merit to the argument advanced by the Federal Trade Commission that the stockyards are the only suitable and proper depots for live stock handled by transportation companies. The only reason why transportation companies deliver live stock to the St. Paul Union Stockyards is because the shippers want to take advantage of the market afforded at that point. So far as providing a depot for live stock is concerned, each transportation company entering St. Paul may voluntarily provide a stockyard on its line at any suitable point in St. Paul. The laws of Minnesota would require the railroads to furnish such separate facilities if there was any demand for them. So it is nonsense to assume that the property of the St. Paul Union Stockyards must be commandeered for the use of the railroads.

There is always a certain percentage of people in any line of business who are not successful and believe that by appropriating to their use the property of others, then success would crown their efforts. If the Federal Government should in any form undertake

the operation of our stockyards, without doubt there would be plenty of people to arise and criticize the results. In all these agitations the great majority of patrons of our market are never heard from. They are satisfied.

In his letter to the Trade Commission the President said:

No business can be transacted effectively in an atmosphere of suspicion.

He is right. We have a program of new construction for the year 1919 amounting to more than \$750,000. Inasmuch as we now have outstanding notes payable amounting to \$495,000 it will be necessary to finance these operations by the sale of bonds. What effect do you think it will have on the sale of our bonds while it is known that the future of the property is uncertain because the Federal Trade Commission has wantonly and wrongfully made it a target for suspicion and adverse legislation?

If we should be unable to finance our operations by reason of the suspicion created by this unwarranted attack, then we shall be unable to provide the facilities that will be needed by our patrons this fall. We will, however, do our best to meet the situation, as we have a firm belief that right must finally triumph and that unjust persecution of legitimate business will cease.

Whenever it is shown that the present owners and operators of the stockyards are incompetent or guilty of bad faith with the public, it will then be time for the Government to step in. The public will always be obliged to pay for the services and facilities it uses. The great majority of the American people are fair-minded. The minority that is not fair-minded would still complain even though the Government should take our property and furnish facilities and service at less than cost.

I want to say further, gentlemen, that this situation, as I look at it, is a situation where the public needs education rather than the assistance of legislation. I know that the House of Congress and all Government agencies are pursued by people who say that this awful conspiracy exists, and that the big packer is the one who is getting all the money out of the business, and that the producer is being fleeced, and the consumer is being fleeced.

All I know about what the big packer is making is what I see in their advertisements in the papers, the same as I suppose you see them. They claim to be doing this business at a fraction of a cent a pound. If this Federal Trade Commission, or somebody, could have determined whether or not that is a fact, that they are doing business at that profit, and whether that profit was a reasonable profit or an unreasonable profit—I do not believe the public is concerned with whether a conspiracy in a back room works in three shifts of 8 hours each every 24 hours, or how it works, so long as the result gives to the public an economical and effective marketing agency for live stock and its products.

It seems to me that knowing that the interests of the stockyards, the commission men, the packers, and the producers are all one, that some move should be made to harmonize those interests rather than to make them antagonistic. I know that if the producers are educated as to what the cost of marketing is, they will agree it is reasonable. I know that if the consuming public finds out what those costs are, it will be all right. You know always that the press of

competition in business is a wide margin of profit. You can look over any business—you are all men of affairs, and you can look over the field generally, and wherever the margin of profit is wide you will find a lot of people in that business. Where the margin of profit is narrow, there are only a few people. You only find a few department stores in any town. You do not find a lot of them, because the margin of profit is narrow. You find a lot of drugstores and you find a lot of saloons, because the margin of profit is wide. Now in this meat business, you will find that in the handling of live stock and the slaughtering of it and the marketing of it, the five great packers do the great volume of the business. Why do they do it? They made the mistake, gentlemen, of doing their business on such a narrow margin of profit that the inefficient forces who were in competition with them dropped out. They could not stay. If they had been a little smooth and had done it on a wider margin of profit, there would have been less talk. Now, when you go into the retail end of it there are a lot of retail butchers, thousands of them, because the margin of profit is a good deal wider in the retail end of the business. It attracts them. I know I pay for my meat at least twice 100 per cent more than the retail butcher pays the packer for it. I know that, but I suppose he has got to have that margin of profit to live and furnish me the service, so that my wife can sit at the telephone in her house and call for a 2-pound steak and something of that sort, and have him rush two or three miles across town and bring it to her door in an automobile delivery wagon, and she has got to pay that price for that service. I am not criticising the profits that the retail butchers make. I do not know anything about them, but I do know there are a lot of people in the business, and I do know that the retail butchers who kick are the ones who can not succeed, and somebody cuts in on them at some place on the next corner.

I trust after your careful consideration of all these matters, gentlemen, you will see fit to put this bill on the table or some place, wherever it belongs.

I thank you very much.

The CHAIRMAN. Mr. McGivney, you say your company wants to borrow how much money?

Mr. McGIVNEY. \$750,000.

The CHAIRMAN. And you fear on account of this legislation or some other legislation that might not please the company, that you could not borrow it?

Mr. McGIVNEY. How is that?

The CHAIRMAN. The indications are that if adverse legislation is passed you could not borrow the money?

Mr. McGIVNEY. Wherever there is uncertainty in the minds of the investing public as to the future of our corporation they won't put their money into it.

The CHAIRMAN. Is not your corporation a very solvent corporation?

Mr. McGIVNEY. It is solvent; yes, sir.

The CHAIRMAN. It has \$5,000,000 worth of property, according to your statement?

Mr. McGIVNEY. Yes, sir.

The CHAIRMAN. Unencumbered?

Mr. McGIVNEY. It has a mortgage, sure.

The CHAIRMAN. How much?

Mr. McGIVNEY. \$1,500,000.

The CHAIRMAN. Then it has a margin of \$3,500,000?

Mr. McGIVNEY. Yes, sir.

The CHAIRMAN. Do you think there is any probability of this bill or any other bill that might be passed by Congress wiping out that three and a half million dollars of value in your property?

Mr. McGIVNEY. I do not know; I wish I did.

The CHAIRMAN. Do you think there is any probability of that—just be square about?

Mr. McGIVNEY. I do not think the Congress is going to be foolish enough to pass any kind of bill of that sort. I do not think it is going to pass this bill.

The CHAIRMAN. I do not say it will.

Mr. McGIVNEY. No.

The CHAIRMAN. But do you want us to believe that any kind of legislation will wreck the credit of your company with \$5,000,000 of real estate value or tangible value, and with a mortgage on it of only \$1,500,000? You have there a list of very solvent stockholders, have you not?

Mr. McGIVNEY. Yes, sir.

The CHAIRMAN. I believe two of the packers are stockholders?

Mr. McGIVNEY. Yes, sir.

The CHAIRMAN. And these English people are stockholders?

Mr. McGIVNEY. Yes.

The CHAIRMAN. Will they not furnish any money that is necessary for making the necessary improvements?

Mr. McGIVNEY. They always have. They are the only ones who would.

The CHAIRMAN. Then, you do not have to borrow money on a mortgage and add still further to your indebtedness?

Mr. McGIVNEY. They have lots of obligations of their own. They always want me to go outside and borrow money and not hang around on them all the time.

The CHAIRMAN. But a good, solvent stockholder certainly would not see the property wrecked rather than advance money which the company needs, which, when it gets it, will add just that much more to its value than its value before.

Mr. McGIVNEY. I know, but, Mr. Chairman, if regulations are passed or adopted or imposed on us that cut our revenue at once to where the property is not a good producing property and do to us in a way what has been done to the railroads—they have got that example before them of the railroads of the country to-day being broke and now in the hands of Congress, and they do not know what is going to be done to them next—they have that example—

The CHAIRMAN (interposing). Perhaps these private stockyards have taken so much of the natural revenue of the railroads in the way of terminal facilities that they have helped to bring that about.

Mr. McGIVNEY. We have done the terminal service for the railroads cheaper than they could themselves.

The CHAIRMAN. You have done it for less than they could or would do it?

Mr. McGIVNEY. Less than they could do it.

The CHAIRMAN. You have absolutely reduced railroad expenses by doing the railroad part of the service?

Mr. MCGIVNEY. I have no figures on it, but it stands to reason. Mr. Chairman—

The CHAIRMAN (interposing). We are talking about facts and not argument now, because there is a railroad problem coming before us too.

Mr. HAMILTON. Let him answer, Mr. Chairman.

The CHAIRMAN. I understand, but I am trying to ask these questions. He says it stands to reason and that is an argument. I am not questioning what the conclusions are, but we have a railroad question to settle pretty soon, and I consider the stockyards service is in part a railroad service or a terminal service, and you admitted it because they pay you to do it for them, as I understand.

Mr. MCGIVNEY. In some cases, yes.

The CHAIRMAN. In some cases?

Mr. MCGIVNEY. Yes.

The CHAIRMAN. Do not the railroads pay you for doing that service?

Mr. MCGIVNEY. The stockyards company is not a railroad corporation and does not operate a railroad.

The CHAIRMAN. Does not the railroad pay you for doing this business which they otherwise would have to do if you did not do it?

Mr. MCGIVNEY. The railroads, when they absorb switching charges, pay us our loading and unloading charge. Where they do not, it is paid by the public.

The CHAIRMAN. A gentleman here the other day representing the stockyards of Omaha, I understood stated very frankly that the railroads paid them.

Mr. MCGIVNEY. The Omaha situation is different from the St. Paul situation. The St. Paul situation is unique. The great majority of the switching charges on live stock in the St. Paul yards are not absorbed by the railroads. You see South St. Paul is another municipality and separate from St. Paul.

The CHAIRMAN. That is one trouble I have; I do not know whether the other members of the committee do or not, when we talk about this stock matter, each one asks for a National policy based upon the facts of the situation or the circumstances of his particular plant.

Mr. MCGIVNEY. Yes.

The CHAIRMAN. And we have got to look at it from a broad, general standpoint.

Mr. MCGIVNEY. Sure.

The CHAIRMAN. This committee is not under any obligation to pass a bill according to the situation of the Federal Trade Commission, or anybody else, but it wants to pass a bill, I take it, in the interests of the public and refuse to pass one that is not. Now, do you mean to say or to have us understand that if the railroad company doing business through your own yards, that it would materially injure the service if the railroads performed it. I do not mean for them to operate the marketing features. They would do as they pleased about that, but so far as the terminal facilities are concerned, the loading and unloading and the feeding in transit and switching, and one thing and another of that sort, do you say that if the railroad companies owned it, it would materially injure the business of

live-stock buying and selling and producing, and be an injury to the public generally?

Mr. McGIVNEY. It would materially lengthen the time required to handle the live stock from the producer into the yards, unless each railroad built its own separate set of chutes and facilities right adjacent to our property. A thing that is hardly possible.

The CHAIRMAN. I mean all the railroads using the yards like a union station.

Mr. McGIVNEY. Yes.

The CHAIRMAN. Would railroad ownership of those yards in and of itself be ruinous to the public interests?

Mr. McGIVNEY. It would not be ruinous, but it would not give them the service they are getting now, Mr. Chairman, because the railroads will not put in the switching service in the terminal which meets the demands of the live-stock producers. At all stockyards we have already had to go into that terminal switching business.

The CHAIRMAN. The railroads would not do it?

Mr. McGIVNEY. The railroads would not give the service. It costs them too much money.

The CHAIRMAN. Then they serve the public reluctantly and only so far as they can be compelled to?

Mr. McGIVNEY. Yes, sir; the Great Western was doing the switching at South St. Paul when I went there in 1907, and they served notice on us they would not any longer do it, because they were losing money at it.

The CHAIRMAN. Do you hold that it is a benefit to the stockyards and to the market at your place, and to the producers and the consumer, that the packer, large or small, should own stock in this terminal facility and market facility?

Mr. McGIVNEY. Yes; I do.

The CHAIRMAN. What would they do if they did not patronize your company—build up some plant of their own?

Mr. McGIVNEY. They would build up a plant of their own or go out into the country and buy direct.

The CHAIRMAN. I mean either the large packers or the small ones, would they go out in the country and buy direct and not buy in your stockyards?

Mr. McGIVNEY. I say they can do that.

The CHAIRMAN. What would they do with the stock after they bought it?

Mr. McGIVNEY. Ship them to their plants and kill them.

The CHAIRMAN. Would they use your yards?

Mr. McGIVNEY. They would fix up a yard around their plants.

The CHAIRMAN. In other words, by spending money perhaps wastefully and extravagantly and unnecessarily, they need not patronize your yard if the railroads owned it?

Mr. McGIVNEY. Yes, sir.

The CHAIRMAN. They could do that now, could they not?

Mr. McGIVNEY. Yes, sir.

The CHAIRMAN. Then the possibilities are open now to such a thing as that, and would not be any more open if the railroads did own them, and you do not say that that would take place, but you say that they could do it?

Mr. McGIVNEY. I do not know what they would do.

The CHAIRMAN. As long as they have ownership in your yards they are not going to do it?

Mr. MCGIVNEY. No, sir; they will not do that.

The CHAIRMAN. How much outstanding stock have you now?

Mr. MCGIVNEY. 25,000 shares or \$2,500,000.

The CHAIRMAN. \$100 a share?

Mr. MCGIVNEY. Yes.

The CHAIRMAN. How much of that stock do you say is owned by packing companies?

Mr. MCGIVNEY. 9,805 shares by Swift and 6,100 shares by Armour.

The CHAIRMAN. I means the total?

Mr. SANDERS. A majority is owned by those two.

Mr. MCGIVNEY. A majority is owned by those two packers.

The CHAIRMAN. And therefore they can, if they will control the policy of your yards?

Mr. MCGIVNEY. Yes.

The CHAIRMAN. And is it not perfectly natural that those who own a majority of the stock in a business will operate that business so as to be worth the most to themselves?

Mr. MCGIVNEY. Well, they will operate that business, Mr. Chairman, to secure the greatest efficiency for the patrons of the market for this reason: As I explained to you a little while ago the stockyards company cannot exist without the producer and the packer and the commission man. The packer cannot exist without the producer. The packers, as you all know, have got hundreds of millions of dollars in the business, and that investment is going to stand idle or be held at a loss unless the producing public keeps coming right along with live stock to use those facilities. Now, in my experience with the packer ownership of a yard, I have never had one of these packers say a word to me about my earnings, whether they were big or little or satisfactory or unsatisfactory. They never opened their mouths about that, but you let some shipper walk into a packer's office and say he has got a rotten deal in St. Paul, got bad service or got bad hay, or dirty pens, or something like that, they will burn up the wires after me, and say, "What do you mean? We want you to give service to these people."

The CHAIRMAN. Is it no advantage to Swift and Armour to own this stock in your company?

Mr. MCGIVNEY. It is no advantage?

The CHAIRMAN. Is it of any advantage to them?

Mr. MCGIVNEY. It is of this advantage, that in order to make a market there must be a place where stock can be sold, and it enables the packers to see that the yards are kept abreast of the requirements, both as to facilities and as to the operation of them. Now, as I stated to you before, I worked under banker ownership in Sioux City.

The CHAIRMAN. You do not need to describe that to me. I know what it was necessarily if it was banker ownership.

Mr. MCGIVNEY. They do not want to fix up the yards; they do not want to build any more yards, and every time they came around and we put up a program for new construction, they would cut out about half of it and say, "Well, I saved a lot of money for my stockholders; I cut that in two."

The CHAIRMAN. Do Swift and Armour have the voting power to control your company absolutely?

Mr. MCGIVNEY. Yes; unless they should get into a quarrel.

The CHAIRMAN. I am talking about the power they have.

Mr. MCGIVNEY. Yes; they have the power.

The CHAIRMAN. So they can deprive you of your job and everybody else connected with it?

Mr. MCGIVNEY. Yes.

The CHAIRMAN. Therefore it is not unnatural that those who are connected with that company should be a little careful about what they say about Swift's and Armour's business, so far as your stockyards are concerned?

Mr. MCGIVNEY. In what particulars, Mr. Chairman, would there be anything to be careful about? What do you mean? I do not understand what we would have to be careful about. Just what do you mean?

The CHAIRMAN. I mean if you should be conducting that yard so that it would not suit them, they could put you out.

Mr. MCGIVNEY. Yes.

The CHAIRMAN. And if you were out contending that it was not to the interest of the public for Swift and Armour to own that stockyards or own a controlling interest, you would be put out. I mean they have the voting power to put you or anybody out of there.

Mr. MCGIVNEY. Yes.

The CHAIRMAN. Therefore the management of it is therefore absolutely under their control, I do not see why it should not be, if they have a majority of the stock.

Mr. MCGIVNEY. Yes.

The CHAIRMAN. And there is money made or lost according to how it is managed?

Mr. MCGIVNEY. But your polite inference, Mr. Chairman, is that in presenting my case to you that possibly I am not saying what, as an American citizen, I really think, but that I am saying what I thing as president of a corporation having the fear of God in me that the packers will do something to me.

The CHAIRMAN. I did not mean anything of that sort.

Mr. MCGIVNEY. Perhaps you did not, but that is the polite inference I got from it. I am not that kind of a man. I want to state that.

The CHAIRMAN. I am not saying that from any appearance in your face or from what you say, but I do mean to say that those who have power over us influence us.

Mr. MCGIVNEY. Yes, sir.

The CHAIRMAN. We are used to that sort of thing ourselves, because we represent our constituents and if we absolutely differ from our constituents they will stop us from holding a commission under them.

Mr. MCGIVNEY. Yes; they will.

The CHAIRMAN. As a matter of course.

Mr. MCGIVNEY. Yes.

The CHAIRMAN. Not that we would vote for vicious legislation if we thought it was vicious, or not that we would violate the Constitution, but no man is free or ought to be free from the influence of those whom he is serving, whether the public, a private corporation,

or a public corporation. Of course, he ought not to do anything wrong.

Mr. MCGIVNEY. They never want you to do anything wrong.

The CHAIRMAN. But I say that no employee can be as free and can be as independent and can be as uninfluenced from the packers' side as he could be if the packers did not own a controlling interest.

Mr. MCGIVNEY. Mr. Chairman—

Mr. PARKER of New Jersey. Mr. Chairman, let the witness answer, please.

The CHAIRMAN. That was my statement. I am not asking a question.

Mr. PARKER of New Jersey. May the witness answer?

The CHAIRMAN. I was going to turn the witness over to Mr. Esch for interrogation.

Mr. SANDERS. Let the witness answer the question.

The CHAIRMAN. I just made that statement and I did not know it was in the form of a question.

Mr. SANDERS. The witness is testifying, let him answer that statement.

Mr. MCGIVNEY. The only thing I would like to do is to be Scotch with you and answer by asking another question. Suppose I was and am absolutely under the thumb and control of Armour and Swift, what baneful influence to the producer or consumer or to the public or to the patrons of the St. Paul Union Stockyards Co. can thereby follow as a result of my being under that control?

The CHAIRMAN. If they are working in the public interest and doing that which is best for the public interest, it is best for the public that you should be under their control.

Mr. MCGIVNEY. And that is my position exactly, and when this committee and when the public at large get at the facts with respect to this situation you will find that we are not a bunch of brigands but that we are trying to do business pretty much on the square.

The CHAIRMAN. I do not think you are a bunch of brigands at all.

Mr. MCGIVNEY. I do not say you do; but the public, perhaps, thinks it.

The CHAIRMAN. There was a gentleman from Kansas City who made a statement here day before yesterday, and I think he is connected with the commission business or the stockyards or something of that sort, and he stated that he was opposed to either the railroads or the packers owning the stockyards; that he thought it was best to have independent ownership entirely, and he was a practical man.

Mr. MCGIVNEY. Did he tell you why?

The CHAIRMAN. Yes; he gave his reasons.

Mr. MCGIVNEY. I heard one man make that statement, and I asked him why. "To quiet all the kick in the country about the packers."

The CHAIRMAN. He did not use that expression.

Mr. MCGIVNEY. I heard one man make that suggestion, but I do not believe, Mr. Chairman—

The CHAIRMAN (interposing). Mr. Esch, do you wish to ask any questions?

Mr. ESCH. As the importance of these hearings may develop in proportion to the number of witnesses we hear, and as there are quite a few here who if not heard to-day will not be heard at all, I will forego any cross-examination.

Mr. HAMILTON. Mr. McGivney, if the Federal Government should undertake to operate your yards, what would they have to do? How would they have to go about it? What would be the expenditure? I assume they would have to purchase the yards.

Mr. MCGIVNEY. Purchase the yards?

Mr. HAMILTON. Well, just go ahead and state what they would have to do. You have a general idea of what I want to find out.

Mr. MCGIVNEY. If they wanted to purchase the property, they would undoubtedly put in appraisers and determine what the property was worth.

Mr. HAMILTON. What is it worth? I believe you said \$5,000,000.

Mr. MCGIVNEY. I said more than \$5,000,000. I have not had the property appraised. It might appraise higher than that.

Mr. HAMILTON. What would be their pay roll for labor?

Mr. MCGIVNEY. Their pay roll would be anywhere from \$550,000, probably, to \$650,000 a year.

Mr. HAMILTON. Would that include the superintendence intelligence of the business?

Mr. MCGIVNEY. Yes, sir.

Mr. HAMILTON. What other expense would they have?

Mr. MCGIVNEY. They would have, of course, to buy hay and buy corn, and they would have to make the expenditures necessary for repairs to the yards and any other money necessary for building, and you are always building in a stockyards if you are growing.

Mr. HAMILTON. If the Government went into the business of operating the stockyards throughout the country, have you any idea what the approximate cost would be to the Government?

Mr. MCGIVNEY. No, sir; I have not. I do not know what the value of their plants are.

Mr. HAMILTON. Now, one more question. If there is collusion in buying among the packers now, would there be any less collusion in buying among the packers if the Government should own the yards?

Mr. MCGIVNEY. No; there would not.

Mr. HAMILTON. As to the retail butchers, they make 100 per cent on steak, say, as an illustration, and that means that each retailer has to pay rent, pay for light, clerk hire, telephone expense, and all the expenses incident to running the business, and each purchaser of a pound of meat has to pay his proportion of the cost for running that retail business?

Mr. MCGIVNEY. Yes, sir.

Mr. BARKLEY. What is your view about the advisability or the wisdom of allowing the packers to go far beyond the packing business and engage in the distribution of every sort of product to the consuming public?

Mr. MCGIVNEY. Well, of course, I do not know very much about the packing business. I am not in it, but just from observation, inasmuch as you have asked me for views, from just my observation I would say that the packer has in all these cities a branch house which have refrigeration which is expensive. Refrigeration is always expensive. He started out originally just selling beef and pork and

mutton in that branch house. Now he has automobiles to deliver his stuff and he has got this sales force and he has this refrigeration. If he can take on something else that will use that refrigeration or his floor space in the branch house, and use his sales force to sell it, he is going to make the toll he takes out of all these products very small, and thereby be a benefit to both the producer and the consumer, because he can do it efficiently. He has the organization and the force to do it. You speak of the packer going into everything; you do not find him selling dry goods out of this refrigerator. He goes into things that are correlative with the refrigeration business or that he has a sales force there that can handle, which is calling on about the same class of trade.

Mr. BARKLEY. Suppose it is true, as I understand it is claimed by the Federal Trade Commission or by witnesses who have appeared here, that they do go into business that does not require refrigeration, but will send out freight cars over the country with a thousand pounds of meat in it, which of course requires refrigeration, and the car filled up with all manner of other merchandise, hardware and shoes and things of that sort which do not require refrigeration; but by reason of the fact that there is 1,000 pounds of meat in the car this other conglomeration of merchandise gets a reduced rate on the railroad that other merchants in the same business do not enjoy, which comes about by reason of the influence of the packers with the railroads. What would you say about that situation?

Mr. MCGIVNEY. I would say that the influence of the packers with the railroads is limited wholly by law and by interstate commerce regulations. A railroad might want to do ever so much for a packer, but he can only go so far as the law will let him.

Mr. BARKLEY. Suppose this ability of the packers to deal in all manner of commodities were finally developed to the extent that it put everybody out of business in that particular trade in the various sections of the country.

Mr. MCGIVNEY. You can not put a man out of business unless you do business for less than he does it, on a narrower margin. Now, we are talking about the public good, and that is good for the producer and for the consumer. The agency that handles the product the most economically is the efficient agency and the agency to be desired. The fact that that agency becomes large is more assurance of its efficiency, and more assurance of its economy in operation. Now, I realize—

Mr. BARKLEY (interposing). That may be true up to a certain extent, but if it gets beyond that extent so that competition is destroyed and they possess the whole field, then what power do they possess for recouping whatever losses they may have sustained by reason of the small margin of profit.

Mr. MCGIVNEY. But if you will permit me, there is a point where the proposition passes from reason to hysteria.

Mr. BARKLEY. And your view is—

Mr. MCGIVNEY (interposing). My view is that when it reaches the point where the packer is going to get it all it becomes hysteria.

Mr. BARKLEY. Your view is that any thought that the packer may possess the whole field in any line of trade is hysterical?

Mr. MCGIVNEY. I think so, because this is an awful big country, and it is an awful big world. I do not think any one man—I do not

believe the packers could organize up to do the business of the world in any one branch. I do not think they could organize to do the business of the world in beef alone. I do not believe that is possible.

Mr. BARKLEY. Do you know what proportion of the beef business they are doing now?

Mr. McGIVNEY. I do not. The only thing I know about that is the statement I saw of the Federal Trade Commission. I do not know whether that is right or not.

Mr. DILLON. Are you constantly around the yards while the bidding is going on?

Mr. McGIVNEY. No, sir; I am in and out of the yards at different times during the day, but I am not constantly present when the trading is going on. I am operating the yards.

Mr. DILLON. Can a farmer ship in a trainload of live stock and sell upon this market?

Mr. McGIVNEY. Yes, sir.

Mr. DILLON. What would be the charges that he would have to pay in order to do so?

Mr. McGIVNEY. He would have to pay our yardage charge, whatever it is, for what he ships in, so much a head on different live stock.

Mr. DILLON. How much per head would he have to pay?

Mr. McGIVNEY. 30 cents a head on cattle, 20 cents a head on calves, 10 cents per head on hogs, and 7 cents per head on sheep.

Mr. DILLON. That constitutes the yardage charge?

Mr. McGIVNEY. Yes, sir.

Mr. DILLON. What other charges are exacted from him?

Mr. McGIVNEY. No other charge except for what feed he may order for his animals.

Mr. DILLON. Do you charge him the same price for his feed that you would a commission merchant?

Mr. McGIVNEY. We charge everybody the same price; it does not make any difference who it is. Nobody gets any special price.

Mr. DILLON. Nobody gets any special discount by reason of the amount he buys for the purpose of feeding?

Mr. McGIVNEY. No, sir.

Mr. DILLON. How numerous are these commission men?

Mr. McGIVNEY. We have 30 firms at South St. Paul.

Mr. DILLON. Do they maintain a live-stock exchange?

Mr. McGIVNEY. Yes, sir.

Mr. DILLON. They are all members?

Mr. McGIVNEY. Yes, sir; all except one.

Mr. DILLON. And the commissions are fixed by rules and regulations, are they?

Mr. McGIVNEY. Yes, sir.

Mr. DILLON. Do those commission men go out into the country and buy?

Mr. McGIVNEY. I do not know really whether they do or not. If they do they are speculating for themselves.

Mr. DILLON. How is the price fixed when they go out in the country and buy, if you know, or what becomes the basis for the price?

Mr. McGIVNEY. You mean the market basis?

Mr. DILLON. Yes.

Mr. MCGIVNEY. Of course, it is hard to say, but primarily the basis of any price in a trade is that agreed upon by the buyer and the seller.

Mr. DILLON. What I have reference to is the matter of buying on the Chamber of Commerce, for instance, relating to wheat, when they buy by carload lots they have a certain basis upon which they start.

Mr. MCGIVNEY. They have grades and a certain price for a certain grade.

Mr. DILLON. They take the closed price on the former day, do they not?

Mr. MCGIVNEY. The grain men?

Mr. DILLON. Yes.

Mr. MCGIVNEY. Really, I do not know.

Mr. DILLON. Do you know of any arrangement of that kind of the commission men in your yards?

Mr. MCGIVNEY. No; a commission man will not come out in the morning and he looks on the board first and finds out what the receipts are at all other markets, and he knows what the market was the day before, and if the receipts are pretty heavy to-day, for example, and were also heavy yesterday, and if it is a season of the year when it looks like it will be heavy right along, he will probably go out and ask the same price for his stock to-day that he did yesterday. If the receipts are light to day and if it looks as if there are going to be diminishing receipts he will go out and ask more.

Mr. DILLON. But you do not know whether that is controlled by rules and regulations?

Mr. MCGIVNEY. I know absolutely that there are no rules or regulations in the exchange controlling prices for live stock. I have read them all through.

Mr. DILLON. Then they differ from the grain dealer.

Mr. MCGIVNEY. I have never read the rules of the grain exchange; I do not know.

Mr. DILLON. How many buyers have the Swift people in your yards?

Mr. MCGIVNEY. I do not know the exact number, but I should imagine, as near as I can estimate, probably five or six of them.

Mr. DILLON. How many has Armour?

Mr. MCGIVNEY. Armour's plant is not operating at South St. Paul and he has about four buyers.

Mr. DILLON. What time does the bidding commence after the morning arrival of stock?

Mr. MCGIVNEY. That varies and depends on the market, but I will tell you that if you would like to get that information first hand, there is to be a commission man following me who will take the stand, and it will save you time to ask him.

Mr. DILLON. Now, every farmer who ships in there first employs a commission man, does he not?

Mr. MCGIVNEY. Yes, sir.

Mr. DILLON. He would not undertake himself to sell upon the market because he would not know of the conditions?

Mr. MCGIVNEY. That is the idea.

Mr. DILLON. And therefore he employs a commission man?

Mr. MCGIVNEY. If he could sell it himself he would.

Mr. DILLON. In case he shipped in there without making a consignment you could make a consignment to him, or the yards, the purchasing yards?

Mr. McGIVNEY. Oh, yes.

Mr. DILLON. You don't know anything about the packers bidding after the other bidders have gotten through, do you?

Mr. McGIVNEY. No; I do not.

Mr. DILLON. The commission man would know that?

Mr. McGIVNEY. He can tell you all about that.

Mr. DILLON. That is all I have.

Mr. WINSLOW. Just one question, Mr. McGivney. Does anybody dealing with you enjoy any special confidential, favorable arrangements as to allowances, rebates, or anything of that character?

Mr. McGIVNEY. No, sir; absolutely none.

Mr. MONTAGUE. Will you kindly tell me how many employees there are in your stockyards?

Mr. McGIVNEY. At the present time about 500. They run all the way from 400 to 700.

Mr. MONTAGUE. Are they all men?

Mr. McGIVNEY. Yes, sir; except the women in the office.

Mr. MONTAGUE. How many have you under age, boys and girls?

Mr. McGIVNEY. There are boys around 18 or 19 years old working there.

Mr. MONTAGUE. How many would you say?

Mr. McGIVNEY. I think there would be 75—50 to 75.

Mr. MONTAGUE. You have approximately 75 out of the total of 500 that are under age?

Mr. McGIVNEY. Yes, sir; I should imagine about that, around there.

Mr. MONTAGUE. Are the cattle bought in your yard at public auction, or how is the price arrived at?

Mr. McGIVNEY. No, sir; the cattle are consigned, usually, to some commission firm who represent the owner, and he has a location there.

Mr. MONTAGUE. He has a pen in the yard?

Mr. McGIVNEY. Yes; he has a certain alley, as we call it, in the yard.

Mr. MONTAGUE. If I wanted to go there and buy cattle, how is the price determined?

Mr. McGIVNEY. You go in there and look these cattle over and say, "What do you want for these cattle?"

Mr. MONTAGUE. Say that to the commission merchant?

Mr. McGIVNEY. Yes; and he will say, "I want so much." If you thought they were cheap, you probably would not want to jaw around with him much. Maybe you would try to get him to take a nickel off, just to make him feel as if he was getting enough, but if you thought they were cheap, you would say, "Well, weigh them to me, and I will give you that price with three out." There might be three sort of mean-looking animals in there, and you would say, "I'll give you that price with three out," and 15 or 20 cents less a hundred for those three weighed out. If he agrees to that, he will weigh them for you.

Mr. MONTAGUE. So then, the cattle are in a pen in your yard?

Mr. MCGIVNEY. Yes, sir.

Mr. MONTAGUE. And the producer of these cattle, or the seller of those cattle, is represented there by the commission merchant?

Mr. MCGIVNEY. Yes, sir.

Mr. MONTAGUE. And the purchaser is represented there, I presume, by his agent—one of the packers?

Mr. MCGIVNEY. Yes, sir.

Mr. MONTAGUE. He is the purchaser, as a rule, and those two men arrive at the price of the cattle in the yard?

Mr. MCGIVNEY. Yes, sir.

Mr. MONTAGUE. The stockyards man has nothing to do with the price of the cattle?

Mr. MCGIVNEY. Absolutely nothing. We don't even know what it is until we read it in the newspapers. We can't touch it in any way.

Mr. MONTAGUE. I am rather ignorant of those things, and that is the reason I am asking you.

Mr. MCGIVNEY. I am very glad to explain it to you.

Mr. SWEET. What percentage of the stock that goes into your yard in a year goes to the big packers?

Mr. MCGIVNEY. Well, of the hogs—just a minute, I can give you that exactly. [Consulting papers.] Well, now, last year we had 1,460,000 cattle and calves; and of that number, Swift bought about 575,000 and Armour bought practically 100,000, out of 1,460,000. That would make a total of about 675,000 that went to the two big packers. Of course, Cudahy buys some.

Mr. SWEET. That would be less than 50 per cent?

Mr. MCGIVNEY. Our receipts will run this way, as a rule, in the cattle alley: 10 per cent of the receipts go through unsold to Chicago; 40 per cent would be sold to the packers, generally, and 40 per cent to the feeders—that is, stocker and feeder buyers.

Mr. SWEET. Now the fact that your company is controlled, or that the packers own a controlling interest in your company, does that cause you to render any special service to them in the stock that passes through the yard?

Mr. MCGIVNEY. No, sir; we don't do anything for them that they don't pay us for, just the same as anybody else. If a packer goes outside and buys cattle in the country, he pays us yardage on them.

Mr. SWEET. Now, have any complaints come to you by farmers or producers against the packers for service that you have rendered in the yards?

Mr. MCGIVNEY. No, sir. Just what service do you have in mind?

Mr. SWEET. Well, the handling of the stock. Your work is really service.

Mr. MCGIVNEY. Yes, sir.

Mr. SWEET. Now, you spoke about "burning up" the wires, etc.?

Mr. MCGIVNEY. Yes, sir.

Mr. SWEET. Have producers ever complained to the packers in regard to the service that was being rendered in your yards?

Mr. MCGIVNEY. Yes, sir. I had a case here last week.

Mr. SWEET. What was the nature of their complaint?

Mr. MCGIVNEY. They complained that they got dirty pens and slow movement through the yards. He had his cattle billed through

to Chicago—some hogs he had billed through, stock hogs, and he complained that he got slow movement through the yards, and dirty pens to handle them in. He shipped in some stock hogs that the Government requires shall be vaccinated before they leave the yard, and the afternoon they got in there, our vaccination plant burned that night. We had to vaccinate them in a temporary place next day. We didn't like that.

Mr. SWEET. Has any complaint come to you against the packers, or have you heard of any complaint made by the commission merchants there against the packers?

Mr. MCGIVNEY. Oh, you can hear that every day, that the packers don't bid enough to suit the commission merchants.

Mr. SWEET. Well, the complaints, then, was as to prices?

Mr. MCGIVNEY. Yes, sir.

Mr. SWEET. And has the charge been made that the packers control the market there?

Mr. MCGIVNEY. By the commission men?

Mr. SWEET. Yes.

Mr. MCGIVNEY. No, sir; not to my knowledge. I never heard of it.

Mr. SWEET. What about the producers? Do they claim that?

Mr. MCGIVNEY. They never said it to me; no, sir. I understand they do complain. We have got 73 buyers, butcher buyers, on our market, as I show by this list, giving their names and how many animals they buy. I don't believe that is a very badly controlled market.

Mr. DILLON. Mr. McGivney, may that paper that shows the amount of purchases by each commission man go into the record?

Mr. MCGIVNEY. Yes; it is already in. This is only a copy.

Mr. SWEET. Do you suggest any legislation at this time, such as is provided in this bill, as necessary?

Mr. MCGIVNEY. No, not along this line, but what I suggest is this: Your Department of Agriculture and your State colleges are trying to educate the producing public, and they have made progress in that line. Now, they have got county agents, a lot of them, in the State of Minnesota, and they have got them around other places, and in the State of Minnesota, in fact, 60 per cent of the business that comes to our market is from cooperative farmers shipping associations, and those associations in membership number anywhere from 10 to as high as 200 men. Now the farmers originally used to sell their live stock to the stock buyers that went around the country and bought them, and he would always tell them, "That is an awful poor animal, and I don't know what I can get for that," and if they ever ask him what he got for it he couldn't remember. But now each farmer's animal is shear branded. That is, they take the shears and clip out the hair in Roman numerals, and that animal is followed right across the scales, and the farmer gets his return on the animal and he knows just what that animal sold for in the market. That is cooperative shipment. That is an education to him. I have always been strong for cooperative shipment; it is an education for that man as to what the market value of that animal is. Now, I have asked these cooperative shipping managers to have their members from time to time come in and get acquainted with the way business is done on the yard, so as to know something about it. I feel that if we can educate the public, the producing public, as to how to produce their live stock—

I mean to get good stuff, not poor scrubs, and can educate him with respect to marketing it so that he will praise himself, that that is more valuable work than any regulation or legislation attacking the marketing agencies can possibly be. All we want to know about the marketing agencies is that they are economical. I think the public should be assured of that. We who are in the business want them assured of it.

Mr. SWEET. And that would fix it so that the farmer would deal directly with the commission merchants that operate in your yard?

Mr. MCGIVNEY. Yes, sir.

Mr. SWEET. Instead of dealing with the local buyers?

Mr. MCGIVNEY. Yes; and 60 per cent of our business in St. Paul is that kind. Now, the greatest complaint, so far as I have observed—I presume you have observed it, too—will come from range men, what we call range cattle, and sheepmen. Those fellows—there are a lot of them in the Southwest and a lot of them up in my country, Montana and the Northwest, and they market their cattle and sheep once a year, as a rule. That is in the fall, when the pastures, when the grass is cured, the range grass, and they have got just as fat as they are going to get. Then they ship them to market.

Mr. SWEET. And they are forced to market at that time, because they haven't feed for them?

Mr. MCGIVNEY. There is the point. Now, if these gluts that we get—we get burdened in our yards, and for 60 days all these live-stock markets are just flooded to the limit and overflowing with live stock. Naturally that results in the payment of a low price. And the railroads are crowded; they can't give good service; the stock-yards are crowded, and they can't give good service; the packers are driven to death to take the stuff, and it is just rushing in inside of 30 to 60 days the volume of business that ought to be scattered over six months.

Mr. SWEET. Your thought is, to educate the farmer so that he will not be required to deliver his stock at any particular time, but that the delivery of stock should be scattered over a period of months.

Mr. MCGIVNEY. That is the idea exactly. Do what the fruit growers have done. They used to ship into the markets and glut them, and they would throw their fruit in the dump. They don't do that any more. I have been talking for 10 years to these fellows up in our country, holding up the fruit growers as an example to them. They have got an organization that is an organization, and they market their products in an intelligent way. Of course, it is easier to do that than it is to market live stock. There isn't anything harder in the world to market than cattle and sheep. Anybody can pick up a newspaper and find out what your hogs ought to sell for. I would know anywhere a thousand miles from the market. I can read the newspapers and know what my hog ought to sell for, but I may read in the newspaper that a 1,200-pound steer sold for 16 cents a pound. I may be in the dairy-producing country and I have got a 1,200-pound Holstein steer which is a dairy type of animal, and I ship that animal in, and somebody bids me 11 cents, and I holler, "Murder, murder. That animal is quoted, a 1,200-pound steer, at 16 cents. What are you doing to me?" Well, the difference is that the 16-cent animal was a beef-type animal, the kind of animal that the packers want. They don't want Holstein animals.

The farmer ought to sell all of them when they are calves. Now, if the farmers could be organized and educated to intelligently feed, raise, and market their live stock, that, gentlemen, will solve the problem so far as they are concerned. It is not a question of regulation.

Mr. SWEET. What legislation would you suggest, if any, in that connection?

Mr. MCGIVNEY. Well, I would suggest that the Department of Agriculture be empowered to go ahead and put county agents around all through the country and teach these men; get them together and teach them what to do.

Mr. SWEET. Is it your opinion that the complaints in regard to the regulation of prices of live stock, mainly grow out of the fact of the usual deliveries of stock at your stockyards at certain periods of the year?

Mr. MCGIVNEY. Yes. You know that yourself, because you know the men that are complaining to you are all range cattle men, mostly. They can't help it.

Mr. STEPHENS. Mr. Sweet's question there suggested another. I propounded this question to a witness the other day. Do you know—of course, you do know—that there is no relationship between the cost of fat cattle and what they bring on the market. Do you know of any solution of that difficulty? The range man brings in his cattle and he has some competition on the market, through the feeders, but if the feeder takes them and fattens them and brings them back to market he has very little competition there, and there is no relation between the cost of the fat steer and what it brings on the market. Now, do you know of any remedy for that?

Mr. MCGIVNEY. Nothing, unless you can repeal the law of supply and demand, and I have never seen that successfully done.

Mr. STEPHENS. You don't think the law of supply and demand is the sole trouble, do you?

Mr. MCGIVNEY. Yes, sir.

Mr. STEPHENS. In this case?

Mr. MCGIVNEY. Yes, sir.

Mr. STEPHENS. Well, you made——

Mr. MCGIVNEY (interposing). It is not the only trouble; there is another trouble, that a feeder buyer, or a man that feeds cattle, may go into the market and pay too much for his animals or may not handle them right, or something, after he has got them, and therefore he is going to lose money on them.

Mr. STEPHENS. And when he comes back, he has only three or four men to sell to, and if, as alleged, those men do have a sort of a feeling for one another, and don't bid up too strong when there isn't any necessity for it, the law of supply and demand is not cutting any figure in a case like that, is it?

Mr. MCGIVNEY. I know, but you can't beat that law of supply and demand. Now, just take yourself for example: Suppose you have got a couple of hundred of million dollars invested in the packing business, lots of plants, and all that kind of thing. You want to keep them going.

Mr. STEPHENS. Certainly.

Mr. MCGIVNEY. Now, you are doing business on a margin of profit of a fraction of a cent a pound, as these big packers claim—I don't know anything about the truth or falsity of that statement, but I believe it is true because I know the men and I don't think they would lie about it—you are doing business on that fraction of a cent a pound profit, and you would sooner pay a producer or a feeder a profitable price for his animal than to pay him a losing price, providing you can make your little fraction of a cent profit.

Mr. STEPHENS. You don't think that fraction of a cent a pound that the packer gets for handling this stuff has a thing to do with what he pays me.

Mr. MCGIVNEY. Oh, that bears no relationship to what he gets for his stuff.

Mr. STEPHENS. If this steer cost \$100 to produce, can you tell me any good and logical and economical reason why it should be sold for \$80.

Mr. MCGIVNEY. Because the general public won't pay more than \$80.

Mr. STEPHENS. They would if they had to, wouldn't they?

Mr. MCGIVNEY. They would leave it alone—use something else. If I came to you and said, "Here, friend, you have got to pay me a dollar a pound for steak," you would say, "I will get along without steak."

Mr. STEPHENS. Then your answer is——

Mr. MCGIVNEY (interposing). The law of supply and demand again.

Mr. STEPHENS (continuing)—that beef must be produced at a loss or not produced at all?

Mr. MCGIVNEY. It must be produced, if it is going to be produced, at a cost that will enable the public to take it. Now if steak is 40 cents a pound it goes without saying that the number of people in ordinary times—not war times—that will buy that steak is limited. You put that steak down to 20 cents a pound and you will increase the number of your retail buyers of that steak 100, maybe 200 per cent.

Mr. STEPHENS. Certainly. That is where it seems to me is the whole difficulty. I have no prejudice against the packers or the stockyard men; I have no objection to the profits that any of them make, but I do think that there ought to be some sort of solution of the difficulty that the man who produces the meat finds himself in.

Mr. MCGIVNEY. He is always going to be up against the law of supply and demand that finally governs all transactions, and I have seen it happen in the past. I can remember in 1908, St. Paul was a small market then, but in that year we got over a million hogs. Well, it meant that there was an overproduction of hogs around through the country at that time generally, more than the public would consume, and what was the result? The prices went down, and the farmers sold out at 4½ cents—around that, something like that. The next year we got 700,000 hogs. We were out of business.

Mr. STEPHENS. And there was a tremendous economic waste in that transaction?

Mr. MCGIVNEY. Yes, sir.

Mr. STEPHENS. Now there ought to be some solution for that.

Mr. McGIVNEY. We hated it, because I knew it injured the business.

Mr. STEPHENS. Of course it injured your business. It injures the packers, it injures the producer, it injures everybody, and there ought to be some sort of a national marketing association, as you suggested, to control those things.

Mr. McGIVNEY. A man will produce only what the world markets will take. Now if we cripple the packing industry, we can't get the world markets.

Mr. STEPHENS. I think your suggestion in that regard is very sound.

Mr. MONTAGUE. May I ask just one question that I omitted? Do you know the total number of employees in the stockyards of America?

Mr. McGIVNEY. No, sir; I do not.

Mr. MONTAGUE. Do you think that could be supplied?

Mr. McGIVNEY. Yes, sir; it could be supplied by getting at it. The Bureau of Markets could probably get you that information. I don't know. They are all under license by the Bureau of Markets.

Mr. MONTAGUE. Do you think I could find that in some Government publication?

Mr. McGIVNEY. That would be the shortest way to get it; just ask Mr. Hall about it.

Mr. MONTAGUE. I don't care about the shortest way; I want the most accurate information.

Mr. McGIVNEY. Mr. Hall can get it for you accurately.

Mr. MONTAGUE. One other question: the majority of the stock in your corporation is owned by two large packers?

Mr. McGIVNEY. Yes, sir.

Mr. MONTAGUE. Is that true, not of those same two packers, but of every stockyard in America?

Mr. McGIVNEY. I couldn't say, sir. I am not familiar with the ownership in the other yards.

Mr. MONTAGUE. Let us assume for the sake of argument that it is true, or approximately true, why is that, do you think?

Mr. McGIVNEY. Because nobody else will take hold of the business and build it up. The packer is vitally interested in seeing that the stockyards are efficient, so far as service and facilities are concerned, to the end that the producer will patronize that market, so that he will have a place to buy his live stock, and the packer will put his money in—or rather, let the earnings go in.

Mr. MONTAGUE. You think that the general investing public would not initiate an enterprise of that sort?

Mr. McGIVNEY. Not in the early stage, no.

Mr. MONTAGUE. I say they would not initiate it.

Mr. McGIVNEY. No, sir; they won't do it. I have been offered all kinds of chances to go into the stockyard business where there were not any big packers, but I wouldn't touch it with a 12-foot pole because I know what will happen to it. I know they wouldn't be any good.

Mr. SNOOK. I think I have heard it intimated during the course of these hearings that in the stockyards where the large packers owned more than a majority of the stock there has been some kind of discrimination in the quality of service—I mean in the handling of stock, unloading it, or the position in which the stock is placed

in the stockyards; that it has worked out to their advantage. Do you know about anything of that kind?

Mr. MCGIVNEY. I never knew of anything of that sort; no, sir.

Mr. SNOOK. Could that be done?

Mr. MCGIVNEY. Well, I don't know how, and I don't know what they would accomplish by doing it. Of course, I can take a commission firm's business—

Mr. SNOOK (interposing). For instance, they delay the unloading of stock so that it would come later so that the sale would come later in the day and it would be sold at a lower price; or could there be a certain part of the stock placed in a disadvantageous position in the stockyards?

Mr. MCGIVNEY. No; you can't do that. If you do you will just have claims to fight, that is all. They will get you into court on it and there is no object in doing it.

Mr. SNOOK. No practice of that kind exists in your stockyards?

Mr. MCGIVNEY. No; we have delays of handling live stock on days of heavy receipts of course.

Mr. SNOOK. Can that be worked so that it works out to the advantage of the big packers in buying stock?

Mr. MCGIVNEY. No, it can not.

Mr. SNOOK. Nothing of that kind ever happens?

Mr. MCGIVNEY. No. If there are big receipts the packers are going to buy them at a price that they think they can get out on.

Mr. SNOOK. I have heard it said here that there are certain days of the week throughout the country that larger receipts of stock are received at the stockyards than on other days. That is a fact, is it not?

Mr. MCGIVNEY. Yes, sir.

Mr. SNOOK. How does that come about?

Mr. MCGIVNEY. It is largely due to train service and the shippers' habits. The farmers originally all had the habit of bringing their stock into town on Saturday. They wanted to get it on the train Saturday night and get it on Monday's market; and we have been working on that for years.

Mr. SNOOK. Does that work to the disadvantage of the producer?

Mr. MCGIVNEY. Yes; oh, yes.

Mr. SNOOK. Now, I have heard it intimated here during this hearing, or some place—figures were produced to show that stock sold at higher figures on those days when you have larger receipts than on other days. Is that so?

Mr. MCGIVNEY. Sold at a better figure?

Mr. SNOOK. Sold at a better figure, yes.

Mr. MCGIVNEY. No. That might be the case in a week when it looks like there was going to be light supplies. Everybody would say, "Here, I have got to grab my supplies right away."

Mr. SNOOK. How can they tell whether the supply is going to be light in the future?

Mr. MCGIVNEY. Oh, by the season of the year, the weather—we know, of course, along in the latter end of March and April the farmers are busy in the field and are not hauling much stock.

Mr. SNOOK. You think that works out to the disadvantage of the farmers?

Mr. MCGIVNEY. The glutting of the market always works to the disadvantage of the farmer.

Mr. SNOOK. He gets lower prices for his stock on those days?

Mr. MCGIVNEY. He gets poorer service and gets heavier shrinkage and everything else.

Mr. SNOOK. I have found that the producer is a pretty shrewd fellow, and I should think he would learn, after a while, that if he shipped his stock in that manner it would be to his disadvantage.

Mr. MCGIVNEY. You would be surprised to know how you have got to fight them to get them to change over. We have got a lot of our business taken off of Monday and put onto other days, but it took me two years to do it.

Mr. SNOOK. I thought the impression among the shippers was that the farmers always arranged to ship stock on the day that they would make the biggest price, the best price; but instead of that they arrange to ship into the stockyards on the day that it brings the lowest price?

Mr. MCGIVNEY. They think it is going to bring the best price.

Mr. SNOOK. But they are mistaken about that?

Mr. MCGIVNEY. Yes, sir.

Mr. STEPHENS. You don't agree with Swift's pamphlet then, in which he states the contrary.

Mr. MCGIVNEY. What?

Mr. STEPHENS. Swift, in one of his advertisements put out, states that the range of prices is higher on Mondays and Wednesdays, in the Chicago markets throughout the year, than on other days.

Mr. MCGIVNEY. It might have been; I don't know. I don't know anything about the Chicago market. If they were higher then, they are probably higher in St. Paul, because the markets all over the world keep relatively the same.

Mr. COOPER. You stated, I believe, that you had your own switching facilities in your yard?

Mr. MCGIVNEY. Yes; a separate corporation, it is.

Mr. COOPER. How many switching crews have you in the yard?

Mr. MCGIVNEY. We have nine switch engines, and we run on those engines as high as 14 crews in the fall of the year; that is, in the heavy season. Ordinarily we run about six crews.

Mr. COOPER. The reason you have your own switching crews is that you believe you can get more efficient and better service out of your own crews than you can from railroad crews? Is that it?

Mr. MCGIVNEY. Yes; we get better service for the yards.

Mr. COOPER. In other words, you are following the plan of all the great industrial concerns of this country. Years ago the railroad companies did the switching for them, but now every large industrial concern in the country has its own switching crews, its own equipment, because they get more efficiency and better service?

Mr. MCGIVNEY. I know we do.

Mr. COOPER. Now, if the Government took over your yards, the switching crews and employees would come under Government operation and control, wouldn't they?

Mr. MCGIVNEY. If they took over the railroads too. They are separate corporations.

Mr. COOPER. Now, how do the wages of your employees—and it is merely information I am asking this question for—how do the

wages of your employees compare with the wages of the railroad employees?

Mr. McGIVNEY. They are much less.

Mr. COOPER. And when the railroad employees were granted an increase in wages under the Railroad Administration, you did not increase your wages—did you increase your railroad employees' wages at the same time?

Mr. McGIVNEY. Yes; the Government has got our railroad. We do just what the railroads do. They took possession of our road.

Mr. PARKER of New Jersey. I think you misunderstood the question. I think Mr. Cooper meant your switching employees.

Mr. McGIVNEY. The Government took over our switching line.

Mr. COOPER. The switching employees get less than the railroad employees, do they not?

Mr. McGIVNEY. They get the same scale that is paid by the Railroad Administration all the way through.

Mr. PARKER of New Jersey. The switching employees do?

Mr. McGIVNEY. Yes, sir.

Mr. COOPER. But under private operation you didn't pay those wages?

Mr. McGIVNEY. Always.

Mr. COOPER. I understood you to say you did not pay as much.

Mr. McGIVNEY. I thought you asked me what stockyard employees get.

Mr. COOPER. The stockyards I am referring to.

Mr. McGIVNEY. You understand I have got two corporations, the St. Paul Bridge & Terminal Railway Co., which handles switching; and I have got the St. Paul Union Stockyards Co., which handles the marketing end of the business. They are two separate and distinct corporations.

Mr. COOPER. I am referring now to these switching crews in your own yard.

Mr. McGIVNEY. That is the St. Paul Bridge & Terminal Railway, of which I was also manager up to the time it went into Federal control.

Mr. COOPER. And they get the same wages that the railroad employees get?

Mr. McGIVNEY. Absolutely.

Mr. COOPER. But you believe, though, that you get more efficiency and better service by reason of having control of your switching facilities than you would get if the railroads did the switching for you?

Mr. McGIVNEY. Yes, and our figures will show it. The first three years we operated that switching facility we lost \$83,000. We gave that much more service than we got paid for. The railroads wouldn't do that.

Mr. COOPER. You stated that the attorneys that were holding the investigations at St. Paul refused to let you place any witnesses on the stand?

Mr. McGIVNEY. No.

Mr. COOPER. Didn't you say that?

Mr. McGIVNEY. No, I said he refused to let me cross-examine.

Mr. COOPER. To cross-examine?

Mr. McGIVNEY. Yes.

Mr. COOPER. Why did he take that attitude?

Mr. MCGIVNEY. I know not.

Mr. COOPER. That is all.

Mr. HAMILTON. Mr. Chairman, I want to ask just one question. There is a question in the public mind, amounting to a belief, that the packers, being the largest purchasers of stock on the hoof, can therefore control the price of stock to the raiser, and that the packers, being the largest producers of dressed meat, can control the price of meat to the consumers. What do you say about that?

Mr. MCGIVNEY. I would say that that statement or opinion is reckoned without consideration of all the elements in the case. If you and I are in the packing business, we can conspire together as to what we will pay for live stock, but that conspiracy will never be successful until we take the seller in with us and get him to agree to come in with us and sell at the price we agree to buy at.

Mr. HAMILTON. Take in whom?

Mr. MCGIVNEY. The seller. We have got to get the seller of the live stock to come in with us and agree to sell at the price you and I agree we will pay. That makes a successful conspiracy.

Mr. HAMILTON. Of course, the seller wouldn't be in it?

Mr. MCGIVNEY. No; of course, not. He is going to sell his live stock at the price he thinks it is worth.

Mr. HAMILTON. But if you are the only market, if you are the packer and I the only market for meat on the hoof, or can control the market for meat on the hoof, then, of course, you can make the price.

Mr. MCGIVNEY. But there isn't such a condition.

Mr. HAMILTON. Exactly. It seems to me that is one of the important elements in this investigation.

Mr. MCGIVNEY. There isn't such a condition exists. There is no one man and no one group of men that can control the meat business of the world. It can't be done.

Mr. SANDERS. Of the world?

Mr. MCGIVNEY. Yes.

Mr. SANDERS. How about America? How about the United States?

Mr. MCGIVNEY. The surplus products of the United States have got to be marketed in the markets of the world.

Mr. SANDERS. I know; but I would rather have the United States testified about, because I am not interested very much in the others.

Mr. MCGIVNEY. You are interested in the world, if you are interested in the marketing of meats.

Mr. SANDERS. Can they control it in the United States?

Mr. MCGIVNEY. The surplus meat products of the United States must be marketed in the markets of the world, and the world market fixes the prices.

Mr. SANDERS. Can any set of men control the price of meat in the United States?

Mr. MCGIVNEY. No, sir; you can't get enough of them together to do it.

Mr. HAMILTON. In your opinion, does the price of meat to the consumer bear a just relation to the price paid to the producer for the stock on the hoof?

Mr. McGIVNEY. Well, sir, that is a great big proposition, and as I have never investigated that end of it, I wouldn't want to be any guesser.

Mr. HAMILTON. You have impressed me as a very intelligent witness; and I thought, inasmuch as you seem to have investigated other problems, that you might have investigated that.

Mr. McGIVNEY. Well, I haven't gone into it, but just like any other man looking at it I would say this: The retail marketing of meats will never be economically done until it is done on a great big scale, just as the wholesale marketing is done, or just as the department store is operated. Now you know we used to have a lot of little dry goods stores and little notion stores and things of that kind, years ago, when you and I were boys. Now to-day we go into the cities, and we have got a few great big department stores. They do business on a so much narrower margin than the little fellow; they are so much more effective and they serve the public so much better that the little fellow had to pass out.

Mr. HAMILTON. Then your idea is that the more money there is invested in a business the cheaper each unit can be handled and sold?

Mr. McGIVNEY. When you get it under one roof; yes.

Mr. HAMILTON. But that also involves the capital invested.

Mr. McGIVNEY. Yes, sir; but you have only got certain overhead charges for a million dollar corporation, and you have got a lot of overhead charges for a \$10,000 corporation. Of course you know that the monopoly is the cheapest form of administration always.

Mr. HAMILTON. We like to think that the law of supply and demand governs.

Mr. McGIVNEY. It does, absolutely.

Mr. HAMILTON. But the public at large has the impression that there are corporations so large, so strong, that they can, to some extent at least, control the law of supply and demand. For illustration, the packers, being the largest buyers of meat on the hoof, can from day to day influence the price paid to the producer, and you say that the producer is not properly organized. Now you think that if the producer were properly organized, then the producer organization would be able to bargain with the packer organization as to prices?

Mr. McGIVNEY. Yes.

Mr. HAMILTON. But that under present conditions—if you have something to say there, I want you to say it.

Mr. McGIVNEY. No, go ahead.

Mr. HAMILTON. But under present conditions, the producer being unorganized, is more or less at the mercy of the packer. Would that be your impression?

Mr. McGIVNEY. Well, he is at the mercy of any buyer.

Mr. HAMILTON. Well, of course.

Mr. McGIVNEY. Whether it is a packer organization or whatever it is. The ultimate consumer is the man that says whether he is going to pay the price at once or not.

Mr. HAMILTON. Then we must be driven to this conclusion. That business must be organized and managed and controlled by large capitalistic power?

Mr. MCGIVNEY. Yes, sir. That is, to do it efficiently and economically. Now that large capitalistic power, because it is large, is cautious about what it does, for fear it may destroy the large values that it possesses. Therefore it is a safe custodian of that trust, and being like you and me and all the rest of you gentlemen, ordinary good citizens, they might take him by the throat and choke him; you might pull a gun and shoot me, but I don't think you will. I have confidence that you will not. The packer is not going to take anybody by the throat and squeeze him. The packer wants to go along and do the business and do it in the biggest volume that he can, and when the prices reach the point where the markets, where the supply of meat saturates the market, they won't take it, and he has got to sell it for less in order to get rid of it. The packer can not fix that price to the consuming public, and say, "You have got to pay this for my meat."

Mr. HAMILTON. That is to say, that there is a law of trade to this effect: That when prices are too high to the buyer, the buyer will not buy.

Mr. MCGIVNEY. He substitutes something else.

Mr. HAMILTON. Just one more question. This is a tremendously important problem. You were talking on the law of supply and demand.

Mr. MCGIVNEY. I can see what is still uppermost in your mind. Now rest assured that if you could trace the packers through from start to finish you will find that the law of supply and demand in nine-tenths of the cases is there. It can not be repealed. This most powerful Congress in the world to-day, this most powerful legislative body in the world to-day, can not repeal the law of supply and demand; it can not go into it without dipping into public funds to pay for that privilege.

Mr. HAMILTON. That was the next question I was going to ask, and I then thought it would open up too wide a field; whether it would be possible, as you consider it, for the Government to so control conditions that it could fix equitable prices.

Mr. MCGIVNEY. You have tried it on the wheat, haven't you?

Mr. HAMILTON. Yes.

Mr. MCGIVNEY. Now wait till you bear the cost and see what that funeral cost you. I would like to have 5 per cent of it.

Mr. PARKER of New Jersey. I would like to ask one question, Mr. Witness, as to the retail business of which you spoke. Does a large, well-arranged city market, equipped with stalls, operate something like a department store in bringing together and lowering prices?

Mr. MCGIVNEY. That I don't know. I never had any experience.

Mr. PARKER of New Jersey. Is there any such large city market, fully equipped to fill the wants of the community in St. Paul?

Mr. MCGIVNEY. Not in St. Paul; no, sir.

Mr. PARKER of New Jersey. Haven't you seen such markets elsewhere, and don't such markets have lower prices than stores along the streets?

Mr. MCGIVNEY. I don't know what prices they have. I haven't seen them. I know one in Portland and one in Seattle and I think one in New Orleans. New York, I think, hasn't got one.

Mr. PARKER of New Jersey. Then I can not ask you by experience.

Mr. MCGIVNEY. No; Not by experience.

Mr. DOREMUS. You stated in answer to one of Mr. Hamilton's questions that, in order to make a conspiracy among live-stock buyers effective, it would be necessary to include the seller?

Mr. MCGIVNEY. Yes.

Mr. DOREMUS. It has been stated unequivocally during these hearings that the live-stock receipts in the Denver market are, by agreement, divided between two of the large packers on a fifty-fifty basis. What material difference does it make to the effectiveness of that combination whether the seller is taken in or not?

Mr. MCGIVNEY. Because the seller is the man that has got to say whether he will pay the price for the live stock?

Mr. DOREMUS. But if he does not sell to one of these two packers, to whom will he sell?

Mr. MCGIVNEY. There will be all the speculators around to take his stock, or he can switch it to some other market, where there are other buyers.

Mr. DOREMUS. What other markets?

Mr. MCGIVNEY. Omaha, St. Joe, Kansas City—all of those markets from Denver.

Mr. DOREMUS. Would that be a practical proceeding?

Mr. MCGIVNEY. Yes, sir; it is done right along—that is, I don't know anything about Denver, but I know in St. Paul they ship to Chicago if they don't like the market in St. Paul.

Mr. DOREMUS. Then it is your opinion that a condition exists in the Denver market where by agreement two of the large packers control all of the receipts in that market; that that is a condition that is not inimical to the best interests of the producers?

Mr. MCGIVNEY. I think it is a good condition provided they pay at all times the market price of those animals.

Mr. DOREMUS. Well, provided; but provided they don't, then what happens?

Mr. MCGIVNEY. Then if they don't, somebody else will step in and do it.

Mr. DOREMUS. Who will it be?

Mr. MCGIVNEY. Well, now, who is at Denver?

Mr. DOREMUS. I think it is Armour and Swift.

Mr. MCGIVNEY. Yes, I guess they are at Denver. Well, if they were buying stuff cheap there, Cudahy would step in, or Wilson would step in, or Morris would step in, and you know these packers don't want each other to take up soft spots anywhere. This man Pat Cudahy for years over at Cudahy, Wis., when I was in Sioux City, whenever the hog market was getting down there pretty low, he would come in and buy a train of hogs, and by the time they got to his plant the market would be up, and next day the Sioux City market would be up, and they didn't want Pat Cudahy back there taking hogs away from them.

Mr. DOREMUS. All the committee is interested in getting at is the facts.

Mr. MCGIVNEY. Yes, sir.

Mr. DOREMUS. Right in connection with your statement, it is claimed by the Federal Trade Commission that these other packers to whom you have just referred, are also in an agreement with Armour and Swift, by which they parcel out among themselves the receipts in the 12 big markets in the West. Now if that is so, do you

still insist that your answer affords relief to the producer in the Denver market?

Mr. MCGIVNEY. You will find when you get into it, that what I have told you is so, and that that statement of the Federal Trade Commission is not so.

Mr. DOREMUS. You deny it?

Mr. MCGIVNEY. I deny the truth of that statement.

Mr. DOREMUS. Do you state that their conclusions are not correct?

Mr. MCGIVNEY. No, sir.

Mr. DOREMUS. But if that is the correct situation, do you still insist that, in order to make a conspiracy effective between buyers of live stock, it would be necessary to bring in the seller?

Mr. MCGIVNEY. If he couldn't find anybody else to sell to, of course it would not be. That would be the end of it. But you can always find someone else to sell to.

Mr. DOREMUS. If the commission has given us the facts—assuming for the purpose of illustration that they have, then do you still insist that in order to make a conspiracy effective among the buyers of live stock, it is necessary to include the seller?

Mr. MCGIVNEY. No; it is not; if they have given you the facts, but they have not given them to you.

Mr. DOREMUS. You deny that?

Mr. MCGIVNEY. I deny that those are facts. I will tell you, when I was in Sioux City, Armour and Cudahy—well, first Cudahy had a packing house there. Armour had a buyer on that market right along to see that Cudahy didn't pick up anything too cheap.

These fellows have got to sell their products in competition with each other in the markets of the world, and they're not going to let the other fellow buy something cheaper than they do on the live-stock market. Swift had a buyer there. You can go to St. Paul and Swift was the only big packing house there, and Armour had a buyer there, and Cudahy, and Wilson, and Morris. They all come into the market and they are all watching it, and if it looks like a low spot they will jump in. The only way Swift can get a majority of the stuff on that market is to pay the price. If he let that market sag, the other fellow would step in and check him. Of course, that doesn't coincide with the story of the Federal Trade Commission or its conclusions.

Mr. DOREMUS. And there is a dispute between you and the Federal Trade Commission on the facts.

Mr. MCGIVNEY. When you get through I will leave it to you which is right.

Mr. HAMILTON. Can't there be a cooperative arrangement among the packers as to the upset price?

Mr. MCGIVNEY. What?

Mr. HAMILTON. As to the highest price they will pay on a given date?

Mr. MCGIVNEY. Of course there could be a conspiracy between them. Any group of men can get together and agree on anything.

Mr. HAMILTON. The condition is conceivable, isn't it?

Mr. MCGIVNEY. Certainly.

Mr. HAMILTON. It does happen, doesn't it?

Mr. MCGIVNEY. No, sir.

Mr. HAMILTON. How do you know?

Mr. MCGIVNEY. I have no knowledge of anything of that kind.

The CHAIRMAN. We will take a recess now until 2 o'clock this afternoon, at which time the smaller packers will be heard.

(Thereupon, at 1 o'clock p. m., the committee recessed.)

AFTER RECESS.

The committee reassembled at the expiration of the recess, Mr. Doremus presiding.

STATEMENT OF MR. GEORGE A. HORMEL, REPRESENTING GEORGE A. HORMEL & CO., AUSTIN, MINN.

Mr. DOREMUS. Mr. Hormel, you may proceed and make your statement in your own way.

Mr. HORMEL. I am just here to answer questions and I have not any particular statement to make.

Mr. DOREMUS. Well, you might give the committee some idea of the general character of your business, and if there is anything in the local conditions at Austin which you think would interest the committee we would be very glad to hear from you.

Mr. HORMEL. Well, the history of the business is that we started in a small way in the retail market in 1892, and during that year we slaughtered 610 hogs, which was the beginning of our institution, and the business has grown and developed during these years until now we are reaching 4,000 hogs a day. I do not know just what particular feature of the business you would like to have information on.

Mr. DOREMUS. Are you in favor of the bill or against it?

Mr. HORMEL. Absolutely against it.

Mr. DOREMUS. Then you might go on and tell the committee why you are against it.

Mr. HORMEL. Well, if the liquor business has been a menace to the general welfare of the public and the Government, and it was necessary to license it, I would hate to think that the packing business would be put in that class. I do not see why the packing business should not be able to proceed and do business the same as any other business, and I do not see why it should be operated under a Government license.

In the first place, the most necessary business for the success of the farmer is the packing business, and if it was not for the big packers, I do not believe that the farmer would find a market for his surplus, such as he is able to find to-day.

It is the long arm of the packer, the large packer, who is able to reach all foreign markets that makes it possible for this country to produce as much as it is producing. If it were not for them, they would probably be growing hogs one year and laying off the next, and for that reason I do not believe that any obstacle in the way of legislation should be put in the way of the big packer. Of course, maybe some of the little packers at times may think they have ills, and can find fault with some of the tactics of the big packers, but at the same time it is nothing more or less than what you experience in every day competition with your smaller packer.

Nothing can be said against the efficiency of a large organization. The larger the business the less proportionate is the expense of oper-

ating. As an indication of that, there are some people who fail in trying to compete with the present class of packers who, I will say, are the survival of the fittest because they are efficient.

As an indication of this, I might give an illustration. In our particular business we are shipping, for instance, in the neighborhood of 100,000,000 pounds, and a quarter of a cent on 100,000,000 pounds means \$250,000, and if we were to average that each year, we would be very well pleased and think we were well paid for our efforts. At the same time, when a salesman goes out and cuts the price of any product a quarter of a cent, he does not realize that the business is dependent upon that quarter of a cent in order to exist.

I, of course, expected, when I was to appear here, that I would be questioned.

Mr. DOREMUS. If you have finished with your preliminary statement, I will ask Mr. Sweet if he has any questions.

Mr. SWEET. Mr. Hormel, you are located at Austin, Minn.?

Mr. HORMEL. Yes, sir.

Mr. SWEET. How far is that from St. Paul?

Mr. HORMEL. Just about 100 miles south.

Mr. SWEET. Where do you get your hogs from?

Mr. HORMEL. Right in the immediate vicinity, when they are plentiful.

Mr. SWEET. Do you get any hogs from the St. Paul market?

Mr. HORMEL. Occasionally.

Mr. SWEET. Any from Sioux City?

Mr. HORMEL. Occasionally.

Mr. SWEET. Are there any points out in South Dakota that you get hogs from?

Mr. HORMEL. Yes; and we get cattle and hogs from Omaha occasionally. It all depends where we can do the best.

Mr. SWEET. Do you come in competition with the large packers?

Mr. HORMEL. Yes, sir.

Mr. SWEET. Has that competition been injurious to your business?

Mr. HORMEL. Well, the success of the business would not indicate that. I will say here that our business is not one that was large to start with. It is a business that has developed and grown.

Mr. SWEET. And it has developed since 1892?

Mr. HORMEL. Yes, sir.

Mr. SWEET. It is a corporation?

Mr. HORMEL. Yes, sir.

Mr. SWEET. What is your authorized capital stock?

Mr. HORMEL. We have \$1,000,000 of preferred and \$2,200,000 of common.

Mr. SWEET. How many stockholders have you?

Mr. HORMEL. I would say around, perhaps, 250.

Mr. SWEET. Where do they live?

Mr. HORMEL. Right in the immediate vicinity of Austin—farmers and citizens of Austin and the country surrounding Austin.

Mr. SWEET. Do any of the large packers own stock in your concern?

Mr. HORMEL. No, sir.

Mr. SWEET. You pay dividends?

Mr. HORMEL. Surely; we have never missed on the preferred.

Mr. SWEET. What are some of your dividends?

Mr. HORMEL. We pay 7 per cent on the preferred stock as dividends.

Mr. SWEET. What does your common stock draw?

Mr. HORMEL. Well, whatever the board of directors happen to decide upon.

Mr. SWEET. Have you a surplus?

Mr. HORMEL. Yes, sir.

Mr. SWEET. How much?

Mr. HORMEL. I will explain that on November 1, 1916, we had sufficient surplus so as to increase our common stock 400 per cent. At that time the common stock had a book value of two hundred and fifty-odd dollars and we increased it 400 per cent, and by that reduced the book value somewhere around \$60 a share.

Mr. SWEET. Sixty dollars?

Mr. HORMEL. Yes, sir.

Mr. SWEET. What is the par value of your stock?

Mr. HORMEL. One hundred dollars. The object for doing that was in order to let the earnings of the common stock accumulate until the common stock became par.

Mr. SWEET. How many shares of stock have been issued by your corporation; that is, I refer to the common stock?

Mr. HORMEL. The common stock is all held mostly by myself, and there is none of it outside the office or the board of directors.

Mr. SWEET. How many shares of common stock?

Mr. HORMEL. There are 2,200 shares.

Mr. SWEET. Have you ever tried to sell out to the large packers?

Mr. HORMEL. We have, in a way; yes.

Mr. SWEET. You have negotiated with them, have you not?

Mr. HORMEL. There has been some negotiation but not very extensive. We did not make much of an effort.

Mr. SWEET. What large packer did you negotiate with?

Mr. HORMEL. Well, is it important that I answer that? It does not signify which one it was, does it?

Mr. SWEET. That is up to you. We would like to know what connection, if any, the large packers have had with your concern.

Mr. HORMEL. Well, it was Wilson & Co.

Mr. SWEET. How many years ago was that?

Mr. HORMEL. I would say that was about two years ago; perhaps less than that.

Mr. SWEET. But Wilson & Co. purchased no interest whatever in your packing plant?

Mr. HORMEL. No, sir.

Mr. SWEET. Or in your yards?

Mr. HORMEL. No, sir.

Mr. SWEET. Do you suggest any legislation at this time in regard to the packing plants?

Mr. HORMEL. I would say that any legislation that would contemplate licensing the packers would be an injury to the farmer. I would think that the packing industry in itself should not be condemned or that there should not be anything put in the way of the progress of those who are in the packing business. Now, we have an Interstate Commerce Commission that corrects all the ills in the way of tariffs. I know we have been before them and have gotten relief, and I should think that if a small packer was hurt in any

way he ought to be able to go before the Federal Trade Commission and get relief in the same manner, and if there are any of the large packers that are doing things they ought not to do, punish that packer and not punish the industry.

Mr. SWEET. Do you have any trouble getting refrigerator cars?

Mr. HORMEL. Sometimes we do. Sometimes there are not enough to go around, but as a rule——

Mr. SWEET (interposing). Do you think the packers should own the refrigerator cars?

Mr. HORMEL. Well, now, I have been talking with some of the smaller packers, doing a business the same as we are, and they feel they do not want to be deprived of their cars.

Mr. SWEET. Do you have any refrigerator cars?

Mr. HORMEL. We have not any at this time; no, sir.

Mr. SWEET. And you have not any legislation to suggest about better marketing facilities for the farmers?

Mr. HORMEL. I do not really see how present conditions could be improved upon. I really think that the carrier ought to be made to supply refrigerator cars to efficiently carry the product we give them to the eastern markets.

Mr. SWEET. So you think that at the present time the refrigerator cars should be owned by the packers in preference to the railroads owning them?

Mr. HORMEL. I say that the packer who desires and can afford to run his own cars, and feels the necessity for operating his own cars, should have that privilege.

Mr. SWEET. Then in fact you do not suggest any new legislation in connection with the packers or in connection with the marketing facilities of the produce of the country.

Mr. HORMEL. I would not know how to improve upon present conditions.

Mr. PARKER of New Jersey. Mr. Hormel, how much dressed beef do you market a year?

Mr. HORMEL. Our dressed-beef business is very, very little. We are in the hog packing business or the pork packing business.

Mr. PARKER of New Jersey. So that you do not use beef cars because you do not need them?

Mr. HORMEL. Yes; we do need them.

Mr. PARKER of New Jersey. Who furnishes them to you—the railroads, or somebody else?

Mr. HORMEL. In the past we have leased cars.

Mr. PARKER of New Jersey. From whom?

Mr. HORMEL. From different concerns.

Mr. PARKER of New Jersey. From whom?

Mr. HORMEL. I could not answer that question just now.

Mr. PARKER of New Jersey. Did you lease from the railroads or from the packers?

Mr. HORMEL. Not from the packers, but from companies that made that a business, to own cars and lease them out.

Mr. PARKER of New Jersey. You have not any now?

Mr. HORMEL. We have not any now, no.

Mr. PARKER of New Jersey. Why not?

Mr. HORMEL. The people we were connected with could not make a success of the business and went out of it, so that we have not made any new connections.

Mr. PARKER of New Jersey. Where do you now sell your beef and pork?

Mr. HORMEL. Well, through our branch houses at St. Paul, Minneapolis, and Duluth, and occasionally we ship a car east.

Mr. PARKER of New Jersey. But mostly in Minnesota?

Mr. HORMEL. Yes, sir.

Mr. PARKER of New Jersey. And you do not need cold storage to send that short distance?

Mr. HORMEL. Yes, sir; absolutely.

Mr. PARKER of New Jersey. Then who furnishes the cold storage for you?

Mr. HORMEL. You mean at this end?

Mr. PARKER of New Jersey. To send them to St. Paul, Minneapolis, and Duluth.

Mr. HORMEL. We have our own branch houses there.

Mr. PARKER of New Jersey. How do you send them—in what kind of cars?

Mr. HORMEL. Refrigerator cars.

Mr. PARKER of New Jersey. Who furnishes you the refrigerator cars?

Mr. HORMEL. The railroad company.

Mr. PARKER of New Jersey. So you are using the railroad now?

Mr. HORMEL. Yes, sir; we depend upon the railroads.

Mr. PARKER of New Jersey. Do you find any difficulty getting cars promptly and getting them forwarded promptly?

Mr. HORMEL. Well, we have had a very satisfactory supply so far this winter, and we have been using anywhere from 20 to 25 a day.

Mr. PARKER of New Jersey. You have been using 20 to 25 cars a day, that would be how many altogether, about four times that number or more? How many cars have you in employment all the while?

Mr. HORMEL. I do not know how many it would take to take care of us. We had 100 cars leased at one time and you would not think we had any.

Mr. PARKER of New Jersey. Then you are using more than 100 now furnished by the railroads?

Mr. HORMEL. I should think it would take several times that many to take care of our requirements.

Mr. PARKER of New Jersey. How did you do during the last year? Did you have any trouble about the stuff being forwarded promptly and with speed?

Mr. HORMEL. Not any trouble; sometimes the equipment was not what it ought to have been. The equipment could be improved upon. That is why I say it is up to the railroad company to furnish equipment.

Mr. PARKER of New Jersey. Do you cure most of your pork or send it fresh?

Mr. HORMEL. There is a lot of it shipped fresh east.

Mr. PARKER of New Jersey. What proportion is shipped fresh and how much do you ship fresh every year?

Mr. HORMEL. Oh, I do not know. I would imagine about 20 or 25 per cent.

Mr. PARKER of New Jersey. How much is that?

Mr. HORMEL. In tonnage?

Mr. PARKER of New Jersey. How many pounds a year?

Mr. HORMEL. Oh, it may run from 20,000,000 to 25,000,000 pounds.

Mr. PARKER of New Jersey. And that goes in railroad refrigerator cars?

Mr. HORMEL. Yes, sir.

Mr. PARKER of New Jersey. Refrigerator cars owned by the railroad?

Mr. HORMEL. Yes, sir.

Mr. PARKER of New Jersey. How far east does it go?

Mr. HORMEL. Boston, New York, Baltimore, and all the eastern points.

Mr. PARKER of New Jersey. Are those meat cars or the ordinary provision refrigerators?

Mr. HORMEL. We try to get the best equipment we can—brine-tank cars—but we do not always get them.

Mr. PARKER of New Jersey. But you have managed to do business with the cars furnished by the railroads?

Mr. HORMEL. Yes, sir.

Mr. PARKER of New Jersey. Why did you give up owning them yourself?

Mr. HORMEL. Because of the expense. We were not fixed to take care of our cars and repair them and look after them.

Mr. PARKER of New Jersey. It did not save you money, then?

Mr. HORMEL. No, sir.

Mr. PARKER of New Jersey. How many did you have at one time?

Mr. HORMEL. Not many; 10. We started out with 10 as an experiment.

Mr. PARKER of New Jersey. How many did you get up to?

Mr. HORMEL. Well, that was as far as we went.

Mr. PARKER of New Jersey. You only had 10 cars? I thought you said something about 100 cars?

Mr. HORMEL. We leased 100 cars. We let the other fellow look after the repairing and the tracing of them and everything of that sort, and also look after the earnings.

Mr. PARKER of New Jersey. Who looked after keeping them cold on the way?

Mr. HORMEL. That was up to the railroad company.

Mr. SNOOK. Do you come in competition with the big packers in the buying of stuff in your yards?

Mr. HORMEL. You can not go out of your own territory very far before you come into competition with somebody.

Mr. SNOOK. I mean do you buy all the stuff shipped into those yards in the town where you operate?

Mr. HORMEL. Yes, sir.

Mr. SNOOK. Do the big packers buy anything there?

Mr. HORMEL. No; we have our own, private yards.

Mr. SNOOK. You have your own, private yards?

Mr. HORMEL. Yes, sir.

Mr. SNOOK. Do you buy the stuff from the farmer before it is shipped in, or do they ship it in to you?

Mr. HORMEL. No; they ship to us the same they would to any union stockyards and they trust—

Mr. SNOOK (interposing). And you are the only buyer there?

Mr. HORMEL. Yes; we are the only buyer and they are shipping to us.

Mr. SNOOK. Does that give you an advantage in buying over the other people?

Mr. HORMEL. Well, it gives the shipper an advantage because he has not any hardage and feed and one thing and another to pay for.

Mr. SNOOK. But, as I understand it, you have a monopoly in the buying of all the stuff that is shipped into those yards?

Mr. HORMEL. I would not say so.

Mr. SNOOK. Nobody else buys there, do they?

Mr. HORMEL. But then we have every other market around us to compete with.

Mr. SNOOK. I understand that, but as far as this yard is concerned.

Mr. HORMEL. When the shipper sends his hogs to us he has sold them to us.

Mr. SNOOK. He has sold them to you?

Mr. HORMEL. He has practically sold them to us.

Mr. SNOOK. That is what I say; you are the only buyer in those yards.

Mr. HORMEL. Yes, sir.

Mr. SNOOK. Now, that is the point I want to get at. Notwithstanding you are the only buyer at these yards, can you buy to better advantage than if there were other buyers or are you controlled by the general market?

Mr. HORMEL. We are controlled by the general market. As an explanation, for instance, we go one hundred miles west and say the rate—this is the old rate before the advance—is 15 cents from this one hundred miles west of Austin, this same shipper can go to Chicago, 350 miles farther, I think it is, for 23 cents, which is only 8 cents difference. I have got to buy those hogs 25 cents under Chicago in order to be on an equal basis with Chicago.

Mr. SNOOK. That is, your argument is you are controlled by the general market prices throughout the country?

Mr. HORMEL. Yes, sir.

Mr. SNOOK. We have had the argument presented to the committee a number of times that where a packer or two packers control practically the market in any one city that therefore it is assumed they can take advantage of the producer and reduce the price. You think there is nothing to that argument.

Mr. HORMEL. Not in our case, it is not true.

Mr. SNOOK. Would it be true in any other case then?

Mr. HORMEL. I do not know anything about any other case.

Mr. SNOOK. What would be the result if you paid less?

Mr. HORMEL. The shipper would be disappointed, and it would probably be weeks before we could get him back to us again.

Mr. SNOOK. Then it is up to you to maintain the general market average?

Mr. HORMEL. Yes, sir; and it is up to us to maintain a better market than any other market around us in order to get the hogs.

Mr. SNOOK. So you do not think you have any advantage at all from the fact that you are the only buyer in this market?

Mr. HORMEL. Absolutely not; in fact, I would rather be located at a stockyard's center than to be as we are, at times.

Mr. SNOOK. What do you think would be the result if the railroads should take over these refrigerator cars, all of them. Would it be of advantage to the small packer, like your concern, to have them take over all the refrigerator cars and furnish all the service?

Mr. HORMEL. I do not know to what extent those would suffer who have their own cars. If we catered to the Eastern trade more extensively than we do, I would want a refrigerator line of my own for the reason that I would get a better class of cars, perhaps, than the railroad company would build.

Mr. SNOOK. The argument presented to the committee is that Armour & Co. and Swift & Co. own their own cars, and that the five large packers own a large percentage of the refrigerator cars that are used in this business, and therefore they have an advantage over the small packer.

Mr. HORMEL. In that they have good cars, well insulated cars—

Mr. SNOOK (interposing). That they take advantage of that and the small packer can not go into the business and expand and grow because he has no cars in which to ship his product.

Mr. HORMEL. That is why I say it is up to the railroad company to furnish this equipment for the small packer.

Mr. SNOOK. That is what I want to get at. You think it would be a good policy to turn over all these cars to the railroad company and have them opened to the trade of all the packers. Would that be to the advantage of the public?

Mr. HORMEL. For the benefit of the public, I say no.

Mr. SNOOK. Why?

Mr. HORMEL. Because it would not be handled in as efficient a manner, as the packer who owns his own car looks after it himself.

Mr. SNOOK. In other words, your argument is that if a man has a large investment in this kind of business, he can handle the shipping end of it along with the other end to a better advantage?

Mr. HORMEL. If he has his own equipment.

Mr. SNOOK. Better than the railroad or the Government can, is that your argument?

Mr. HORMEL. I would think so.

Mr. SNOOK. There would be a loss in the quality of the service if it was turned over to the railroads, you think?

Mr. HORMEL. I actually believe there would be.

Mr. WINSLOW. I would like to ask you if you have ever been squeezed by any of the big packers in the conduct of your business?

Mr. HORMEL. I was not conscious of it if I was.

Mr. WINSLOW. Did you ever know of any small packer who had been?

Mr. HORMEL. I do not recall any.

Mr. WINSLOW. Do you feel that the presence of these big packers and their methods in vogue operate against the conduct of business by independent and smaller packers?

Mr. HORMEL. We have not experienced anything of the kind.

Mr. WINSLOW. You do not know of any methods which would lead to such influence?

Mr. HORMEL. No; I do not know of any.

Mr. WINSLOW. As far as you are concerned in your business, you are perfectly willing to go on with all of the conditions as they are now?

Mr. HORMEL. I would rather do that than to have it interfered with by licensing.

Mr. WINSLOW. Do you think there will be more disastrous competition to the packing industry as a whole if there are none of these big packers?

Mr. HORMEL. Well, now, I claim in my case I can operate my plant more economically than the big packers can. I claim I have an advantage over the big packers.

Mr. WINSLOW. Do you sell any cheaper?

Mr. HORMEL. No, sir; I get more.

Mr. WINSLOW. You get under their umbrella, do you?

Mr. HORMEL. No, sir.

Mr. WINSLOW. Under their protection then?

Mr. HORMEL. No, sir; I try to get more than the big packer does, and to do my work a little cheaper than he does, and I think I do.

Mr. WINSLOW. And you think you produce a little cheaper?

Mr. HORMEL. Well, I think we have a very well organized force. I think the success of the packing business or of any packing institution, depends upon its organization.

Mr. WINSLOW. Is there anything about the big packing organizations which need deter the newcomer from venturing into the business?

Mr. HORMEL. I wouldn't think so.

Mr. WINSLOW. I believe that is all I care to ask.

Mr. DOREMUS. That is all, Mr. Hormel, unless there is some further statement you care to make. We thank you very much for your attendance.

Mr. HORMEL. I only wish to add this: I would want if the Government decides to license packers, and I hope you will decide to buy us out in that event, because I don't think I would want to continue in the business.

Mr. DOREMUS. Would Mr. Agar, of Chicago, now like to be heard?

Mr. AGAR. Yes, if you please.

STATEMENT OF MR. JAMES S. AGAR, OF THE JOHN AGAR CO., CHICAGO, ILL.

Mr. DOREMUS. Are you in the packing business?

Mr. AGAR. Yes, sir.

Mr. DOREMUS. Have you prepared a statement that you wish to present?

Mr. AGAR. No, sir; I merely have a short memorandum in my hand for my own information.

Mr. DOREMUS. All right; go ahead with your statement.

Mr. AGAR. I wish to state to this honorable committee that I have asked the privilege of testifying before you as a loyal American, and loyal to the core, and sincerely hope to be counted as such.

The proposed bill I consider is unjustified, and one if enacted into law that would lead to all kinds of trouble in the packing business, both from the producer's standpoint and the standpoint of the industry itself.

I started in 1886 in a retail meat market, and I am relating this merely to show you that I feel confident there isn't any discrimination against the young man who is ambitious and energetic and wishes to make a name for himself in this industry. I believe that competition in the stockyards is as great as could be desired, and I think it would be a great mistake to take it away from personal control and put it under Government regulation. I also think that the question of railway equipment, or refrigerating cars, is better handled by the larger packers; at least I know that they are handling them better than the railroads have been handling them. The railroads for the past 10 or 15 years have allowed their equipment to deteriorate to such an extent that we smaller packers can not ship beef or perishable goods with any degree of safety at all. There have been some new lines incorporated whereby we can rent cars from them and during the past three or four years when we could not get them otherwise, I always seemed to be able to get them from the larger packers.

Having been in this packing business all my life, and having watched it grow, and having been in different conferences with live stock producers and packers, I have made up my mind that the live stock producer is thoroughly and very well satisfied with the methods of the packing business. They have stated that it has made the country from which they came, and that they had a market to ship to, and that it is made convenient for them at all times, although they have been set back at times as well as the packers have been, as you heard a witness say this morning; that at certain times of the year the markets would be glutted. We have inquired into the cause of the market being glutted, and, as a rule, it was because the farmer had been too busy to ship his stock at an opportune time when he might have gotten more for it.

When I started first in the packing business—and I am now merely trying to show the efficient way in which the industry is being conducted, and how it has come to the front—we used to throw away all the by-products. My father was in the business before me, and then we wouldn't know what to do with the livers, hearts, feet, and things of that kind. Through the efficiency of the large packers and some of the small packers as well, that stuff has all been made into and is being used as a valuable by-product. A man with a few hundred dollars can start in this business as a small packer, and if he can not take care of the by-products he can always find a market for them among the larger packers who have the necessary machinery therefor, and that market permits us to take care of these by-products until such time as the smaller packer can make money enough to get himself some machinery, and then he is put upon the same basis as the larger packer.

I want to say, gentlemen of the committee, that we packers feel we do not have proper publicity given us by the press. We look to you gentlemen to stand in the breach. Newspapers, of course, cater to public opinion, which is proper as that is in their line; at the same time if the truth were known, not theoretically as given by theorists or economists or people of that kind, but as known by the practical experience of packing house men, I feel sure the fact would be demonstrated that there isn't anything hidden about the business, and that there isn't anything unlawful about anything we packers do.

Now, gentlemen of the committee, I can not think of anything more right now to say to you, and I thank you for listening to me.

Mr. DOREMUS. Mr. Stephens, do you wish to ask Mr. Agar any questions?

Mr. STEPHENS. Yes; I would like to ask him a few questions.

Mr. Agar, you made the statement that you thought the live stock producers were fairly well satisfied with the market, did you not?

Mr. AGAR. Yes.

Mr. STEPHENS. I presume you referred to those you trade with rather than to representatives of the producers who have been here before the committee?

Mr. AGAR. I had the pleasure of attending a conference where there were probably 25 presidents of the different live stock producing associations a month or two ago, and we got together and fixed prices on their product with them, and they seemed thoroughly well satisfied with what we were doing.

Mr. STEPHENS. I have in mind the testimony of the representatives of the American Live Stock Association.

Mr. AGAR. Very well.

Mr. STEPHENS. They perhaps represent 60 per cent of the cattle of the country and their testimony does not agree with yours, I believe, in that respect.

Mr. AGAR. It may be different, Mr. Congressman, but they did not express themselves that way to us, and I have known the big live-stock producers as being satisfied. Of course, they will have their ups and downs and differences just the way we have them in our packing business; we will have our good year and then we will have our very bad year.

Mr. STEPHENS. Are you the same Mr. Agar who was a member of the packers' committee appointed for conference with the Food Administration?

Mr. AGAR. Yes, sir.

Mr. STEPHENS. Were you satisfied with the policy of the packers in their relations with the Food Administration?

Mr. AGAR. With the policy of the packers?

Mr. STEPHENS. Yes; did you agree with the policy they adopted toward the Food Administration?

Mr. AGAR. Yes, sir; at that particular time, when it came up as a matter of winning the war or not winning it, and we packers as a body fell in line to anything that Mr. Hoover would ask us to do.

Mr. STEPHENS. They did as Mr. Hoover requested in practically all particulars, did they?

Mr. AGAR. Yes, sir.

Mr. STEPHENS. They were in harmony with Mr. Hoover?

Mr. AGAR. Yes, sir; with Mr. Hoover, and, if you will allow me, with the producers.

Mr. STEPHENS. With the producers?

Mr. AGAR. Yes, sir.

Mr. STEPHENS. Were you at one time president of the Western Packing & Provision Co. of Chicago?

Mr. AGAR. Yes, sir.

Mr. STEPHENS. What was the nature of that company; that is, for what purpose was it organized?

Mr. AGAR. I promoted that company, if you please, and it was composed of smaller packers who individually were not large enough to have a slaughterhouse of their own.

Mr. STEPHENS. A sort of cooperative company?

Mr. AGAR. Yes, sir; a sort of cooperative work.

Mr. STEPHENS. Did any of the large packers ever approach or attempt to buy into that company secretly?

Mr. AGAR. There was one time when a Mr. Tilden asked me if it were possible for him to buy the company.

Mr. STEPHENS. Who did he represent?

Mr. AGAR. The man represented the larger packers—or rather, he didn't say who he represented, but it was for the larger packers.

Mr. STEPHENS. Did he succeed in buying into the company?

Mr. AGAR. Not a share.

Mr. STEPHENS. He didn't get any of the stock?

Mr. AGAR. No, sir.

Mr. STEPHENS. Did you have anything to do with getting stock for him or attempting to do it for him?

Mr. AGAR. I was the president of the association.

Mr. STEPHENS. The negotiations were made through you?

Mr. AGAR. I was approached on the proposition; and laid my cards on the table to the board of directors, who took exception to it.

Mr. STEPHENS. They turned it down?

Mr. AGAR. Yes, sir.

Mr. STEPHENS. Did you approve of it?

Mr. AGAR. No, sir; I did not.

Mr. STEPHENS. You didn't recommend it?

Mr. AGAR. Not at all.

Mr. STEPHENS. Why did you quit the service of the Western Packing & Provision Co.?

Mr. AGAR. There was a difference between us in regard to the way I was managing it.

Mr. STEPHENS. Pertaining to this transaction?

Mr. AGAR. I think maybe that had something to do with it.

Mr. STEPHENS. They didn't approve of your negotiating about it?

Mr. AGAR. Or talking to any of them.

Mr. STEPHENS. And you separated from the company then upon the issue that they had approached you and tried to buy in the company and the company did not approve of that action?

Mr. AGAR. Not altogether that, but that was one of the leading issues.

Mr. STEPHENS. You are opposed to this bill, I believe?

Mr. AGAR. I am, sir.

Mr. STEPHENS. Do you think that the conditions that prevail now in the market are satisfactory to the packers?

Mr. AGAR. Very satisfactory.

Mr. STEPHENS. Do you think the conditions that are satisfactory to the packers ought to be satisfactory to the producers?

Mr. AGAR. Yes, sir.

Mr. STEPHENS. You think their interests are identical?

Mr. AGAR. I do.

Mr. STEPHENS. And the consumer also?

Mr. AGAR. Yes, sir.

Mr. STEPHENS. You think whatever is good for the packer is good for the producer and the consumer?

Mr. AGAR. Yes, sir.

Mr. STEPHENS. Do you think the packers fix the price of the product of the producer?

Mr. AGAR. Not at all, sir.

Mr. STEPHENS. Well, is it your opinion that where four or five men are buying in a market where the bulk of the cattle is assembled, it is reasonable to assume that those men would not observe ordinary business prudence and care in the buying of the product by having some sort of agreement among them as to the price they will pay?

Mr. AGAR. To this extent: Where you say four or five packers, if you take our market in Chicago, for instance, there are probably eight or ten small packers that kill cattle, and there are probably twenty-five or forty that kill hogs. We send in the morning our buyers out with orders to buy, and we buy just the same as anybody else would buy, in the trade. We, of course, are governed according to the rules. I may have an order for four and five hundred steers to be gotten tomorrow. If my buyer is in the pen first, which he endeavors to be, and his price is satisfactory to the commission man, we get the cattle.

Mr. STEPHENS. Well, now, Mr. Agar, I have no prejudice against your business, none whatever, and do not want you to think I wish to ask these questions to prove a theory.

Mr. AGAR. No; I am pleased to answer them, sir.

Mr. STEPHENS. I would like for you to explain to me how it is possible for you buyers to buy this stock at any other than the level price. That is to say, if Armour pays more than Swift, then Swift has got to come up, and if you pay more than either of them, they have both got to go up. Now, it is apparent, it seems to me that you have got to have some sort of standard prices you are going to pay that day, or else the market would run up or down, and there would be great fluctuations in prices. Now, we know that that does not happen; that is, we know that there is great fluctuation from day to day, but it seems to me that you do have an understanding as to what you are going to pay that day, somehow or other. You come to the conclusion what prime beef is going to be worth on foot that day, based upon the stock that is in the market. Now you all agree upon that price, I mean what price you will pay, don't you?

Mr. AGAR. No, sir.

Mr. STEPHENS. I do not mean that you sit down around a table and come to an agreement, but if you were going to pay \$16 a hundred for prime beef then Swift and Cudahy and Wilson and Armour are not going to pay any more unless their interests or needs are very much greater than yours, and you soon strike about a level.

Mr. AGAR. Yes, but—

Mr. STEPHENS (interposing). Your natural mode of trading will force you to that, won't it?

Mr. AGAR. Of course, the necessities of the case, as you say, are the controlling factors in the situation. First, we have confidence in our buyers, though some are better than others—in their judgment of these cattle. Secondly, I may have an order for 250 steers

at 1,200 pounds, an average steer. I say to this man, "Now, here, I think we can get so and so; we figure that is the market on the product. We have got to buy this at 13½ cents." I will go over there, and he will say, "Mr. Agar, there are 5,000 cattle here, and everybody wants a few of them, and I can't get them for 13½ cents, but I can get them for somewhere around 14 cents." I then decide whether to let him go ahead and do it or not. But as far as any understanding is concerned, I can't see it at all.

Mr. STEPHENS. In a very short time you strike what is exactly the same result. You pay about a level price for all that stuff. The necessity of the situation will force you into a level market, which in fact is exactly the same as an agreement. I do not see any difference in it to the producer. He has to pay the fiddler any way.

Mr. AGAR. Yes, sir.

Mr. STEPHENS. If he is fool enough to ship a lot of cattle there any one day, no matter what your needs—you know you are going to take all the cattle that are there that week, you know your capacity, and you can take care of it; but if he happens to ship them all one day you take advantage of the fact that he has shipped them in there and pay what you please for them? That is, what your necessity compels you to pay, and that only you do, of course.

Mr. AGAR. Well, sir, to give you an instance in regard to buyer and seller—that is, the commission man and the meat buyer—my buyer went not over a week ago and bought 27 cattle, I think it was, if you please, at something like 12½ or 13 cents. He said "I bought these so cheaply I can turn them over and make a dollar a hundred on them." I said, "What will they make us?" He said, "About \$500." I said, "Let the other fellow have them."

Mr. STEPHENS. The necessity of the packer might make him bid an extra price to get the cattle?

Mr. AGAR. He had to have them, and my buyer made him buy them. You might say, in the parlance of these buyers, stolen on account of the other man not knowing their real value.

Mr. STEPHENS. In other words, that is a mere speculation, isn't it?

Mr. AGAR. Yes, sir.

Mr. STEPHENS. An economic waste. Now, then, there are five slaughter houses to be maintained, and it is natural that these cattle should be distributed among those packers if you want to meet the economic needs. One packer should not have more than twice he can use and the other not enough.

Mr. AGAR. Oh, no; but it is competitive all the time, because I can say that I can use 250 beef cattle to-day, and I can use 250 to-morrow, or 500 the latter part of the week. If I think this is a low day, or our receipts are large to-day and they will be small the latter part of the week, I will buy all I want to-day.

Mr. STEPHENS. Of course you are interested very little in the producer's end of this thing so long as you can get the cattle, but ultimately, of course, if production is discouraged you will be interested in it. Now, the situation appears to me this way, and I want to get your opinion: That the packer is a good bit at the mercy of the consumer. He can push up his price to a certain point but then the consumer will begin to quit buying and consumption will fall off as his price goes up.

Mr. AGAR. Yes, sir.

Mr. STEPHENS. I can see how with perishable goods the packers have to react a little bit. And there is no one to react upon except the producer and the producers scattered all over creation can not organize and protect themselves, so the producer ships his cattle into your yards by the trainload and by the hundreds of thousands, of course, in a season, and is absolutely left at the mercy of those who buy his stuff when the buyers are few and far between. Now, Mr. Agar, there ought to be some solution to that difficulty. Have you any solution to offer for it? The buyer ought not to be placed in the position where he can not protect his property, where he can not protect his property better than that. You can see that the packer must react on him because he can not control the consumer. Now, what must we do?

Mr. AGAR. No true packer or real packer will bid up unless he recognizes the producer, and unless he encourages the producer, and unless he is able to get the producer to produce hogs and cattle at all times, as many as he can use in volume, then we will not get the business.

Mr. STEPHENS. How can he be in any position to protect the producer when the price he pays bears absolutely no relation whatever to the cost of the product. The price that the packer pays has no relation whatever to the cost to the producer.

Mr. AGAR. No.

Mr. STEPHENS. Now, as I see it, the packer is hemmed in by the consumer at the other end of the line. There is no one he can take it off of except the producer.

Mr. AGAR. No, sir.

Mr. STEPHENS. Can you see any way to regulate this market so that there will be a fair division between the producer, the packer, the distributors, and consumers? I would like to see them all treated fairly in this thing all the way through.

Mr. AGAR. I think we have arrived at certain premises, if you please, in this zoning system. When it was left to ship indiscriminately from all parts of the country into a big market, or into a stock market, I mean, it would all come in on Monday, Wednesday, and Thursday. As it is now, we try to keep this zoning system in effect and have them ship alternately so that we will receive as many on Tuesday or Friday or Saturday as we do on Monday and Wednesday, and I think it has given a great deal of satisfaction, if you please, to producers as well as to packers and everybody concerned.

Mr. STEPHENS. You think that will relieve the situation to some extent?

Mr. AGAR. Yes, sir; to some extent it surely does.

Mr. STEPHENS. But still it does not yet solve the problem of the relationship that ought to exist between the cost of the products and the price that the distributor is going to pay for them. You say in a way you relieve that heavy competition on certain days. You still will have that competition, such as we have now in the stockyards; that competition practically is of no value because it does not get to the root of the thing; there is no way to relieve it?

Mr. AGAR. No, sir.

Mr. WINSLOW. What part in the distribution of products from the packing houses do these various produce exchanges have?

Mr. AGAR. What per cent do you mean of our product?

Mr. WINSLOW. No; that it not it. What part do they play in the distribution of cattle and hogs and products of the packing houses.

Mr. AGAR. They are a very decided necessity at times, and especially in our business, the pork business. We pork packers will buy these hogs at a certain price on that day's market as compared with the product. If we haven't any outlet directly to the consumer at that particular time, we can ask our exchange to sell the equivalent of what pork those hogs will make on the board of trade that day, which insures us ordinarily against a loss.

Mr. WINSLOW. How do they work, on commission?

Mr. AGAR. The board of trade are commission merchants.

Mr. WINSLOW. At so much percentage on the amount of the sale.

Mr. AGAR. Yes, sir.

Mr. WINSLOW. Do you regard their judgment in respect of market conditions as good?

Mr. AGAR. No; we do not take any stock in their judgment at all. We try to use our own in regard to the marketing of our stuff.

Mr. WINSLOW. You think they are just machines, like adding machines, and have no brains whatever.

Mr. AGAR. Oh, yes; some of them are very smart and brainy, but our business is like any other successful industry or business, we like to figure it out ourselves and have our agents do as we want them to do.

Mr. WINSLOW. You do work that they have got to get their living out of.

Mr. AGAR. Yes, sir.

Mr. WINSLOW. Did I understand you correctly in that you had been familiar with all the steps that have led along to the regulations of the Food Commission as they affect the packers?

Mr. AGAR. I am familiar with them to a certain degree; yes, sir.

Mr. WINSLOW. I am going to ask you then, if you will be good enough to explain to me what is meant by an article which I read in the Washington Star on yesterday, Sunday. You may have seen this article, which is dated at New York:

Further arbitrary fixing of prices on hogs and hog products by any Government agency is opposed in a petition addressed to the United States Attorney General which was circulated to-day among the members of the New York Produce Exchange. The attention of Attorney General Gregory is called to the fact that were it not for the activities of the hog price fixing committee of the Food Administration the market price of pork probably would be reduced from 30 to 40 per cent. It is said that it is admitted in this city that but for the action of the Food Administration the price of pork would come down from 17½ cents, the fixed price, to 10 or 12 cents a pound.

Have you any ideas on that that you would be willing to express?

Mr. AGAR. I think I have, and am glad to express them.

Mr. WINSLOW. All right; go ahead.

Mr. AGAR. You gentlemen are all familiar with this trade, but I just want to refresh your memory: The packing industry was called together by Mr. Hoover, including the live-stock producers, and it was impressed upon our minds that we were at war, and if we were to win this war, or rather that we must win this war, and if we were to provide foodstuffs to enable them to win this war something had to be done. Mr. Packer said, We want to pay the producer a price

whereby he will be profitably compensated in order to give him an incentive to produce all that his farm or range or anything else that he may have can produce. That was done. It resulted in the farmer or producer working nights, days, and Sundays, and the packer took his stuff and worked nights, days, and Sundays. Then the armistice came along and rather upset things. Now, if such gentlemen as you are do not uphold the hands of Mr. Hoover, who has gone on record, and who in the opinion of most of the packers, and in my own opinion, is a most estimable and honorable gentleman, and who has done the best he knew how for the best interests of all concerned; I say, under an arrangement there we promised to pay producers $17\frac{1}{2}$ cents a pound for their hogs for the month of January, and we are doing it as an industry, and are willing to continue to do it, or the people across the way, who I consider are or must be under moral obligations to take this product, or a certain percentage of it, from our hands; I say if you do not uphold what Mr. Hoover did, then what will be our position? I can not help but think that Mr. Hoover and the administration back of him must, for the sake of the producer, have us pay this $17\frac{1}{2}$ cents, the fixed price, for February and March as well. That is my feeling in regard to this matter, gentlemen, and I am trying to show you how the packing industry feels toward the producer.

Mr. WINSLOW. I think we can all realize the situation, and that is probably what I would want if I were in the packing business. But what I am coming at is this: On what plan did you establish the price of $17\frac{1}{2}$ cents a pound?

Mr. AGAR. From the producer's proposition that it cost him, at the prevailing price for corn, which price I can not tell you now right offhand, but it was on the ratio of 13 to 1. Taking the price of 13 bushels of corn to make the desired weight of a hog.

Mr. SWEET. It was to make 100 pounds of pork.

Mr. AGAR. Wasn't it 200 pounds?

A BYSTANDER. No; it was 100 pounds.

Mr. AGAR. All right.

Mr. WINSLOW. Go ahead.

Mr. AGAR. That matter was not left to us packers.

Mr. WINSLOW. No; and I am not accusing you of it.

Mr. AGAR. Nor to the producers. Mr. Hoover and ourselves and the producers went over the situation. I am not laying the blame on anybody, but we all worked together on that proposition.

Mr. WINSLOW. Did you consider any particular net percentage of profit coming to the producer when you established the price of $17\frac{1}{2}$ cents?

Mr. AGAR. Coming to the producer?

Mr. WINSLOW. Yes.

Mr. AGAR. I could not tell his profit. But we, as packers, or the men in the packing industry, were limited as to our profits.

Mr. WINSLOW. All right; go ahead.

Mr. AGAR. We were limited in the matter of what we would get for this stuff; that is, from a profitable standpoint. We were not to be allowed any more than $2\frac{1}{2}$ cents on our turnover. Our business increased from one to two or three hundred per cent.

Mr. WINSLOW. Did it make any difference to you whether you paid $17\frac{1}{2}$ cents or $27\frac{1}{2}$ cents?

Mr. AGAR. Yes, sir. In conference with the Food Administration, while we did not have any promise or anything definite in that way, they were to take 40 or 50 or 60 per cent of our capacity; that is, they might or would take it. The other 30 or 40 or 50 per cent we had to dispose of ourselves and get it sold the best way we could. We took it on that proposition.

Mr. WINSLOW. You do not make it clear to me, although it may be clear enough to others, just how you arrived at the 17½ cents a pound for the producer.

Mr. AGAR. Nothing further than figuring it, as the farmer said the price of corn would be \$1.50 a bushel, and it would cost that much to produce a hundred pounds of pork.

Mr. WINSLOW. They must have started somewhere.

Mr. AGAR. Yes, sir.

Mr. WINSLOW. Where was the starting point?

Mr. AGAR. I wouldn't know, sir.

Mr. WINSLOW. I am aware that you were called there to meet, and an agreement was made to pay 17½ cents a pound to the producer, and he is making more money than he ever did before. And now comes the packer, at 2½ cents on the turnover, and they are making more money than they ever made before.

Mr. AGAR. We acknowledge that we made it.

Mr. WINSLOW. And now comes along the produce exchange at New York and says if it were not for those conditions we ought to get pork on the basis of 10 or 12 cents a pound instead of 17½ cents. Who takes up that slack?

Mr. AGAR. Would we get this pork if this inducement were not held out to the producer?

Mr. WINSLOW. Well, I can not answer that.

Mr. AGAR. Well, that is the question.

Mr. WINSLOW. Do you think they are true in their statement that if it had not been for the regulation of the Food Commission there would have been a falling off in the price of pork to-day?

Mr. AGAR. If the Government statistics are right, and if we have 90,000,000 or 88,000,000 or whatever it is, which is 33½ per cent more than we ordinarily have, brought about by the sense of patriotism and everything else, we probably would have 10-cent hogs or 12-cent hogs, if no restriction were put on them.

Mr. WINSLOW. You realize that every other industry in the country is either going slack or closing down altogether at the present. If that is true, how long do you think the packers should be protected on this 17½-cent price?

Mr. AGAR. As long as they are in honor bound to do it.

Mr. WINSLOW. How long are they honor bound?

Mr. AGAR. On this crop of hogs that the producers have raised.

Mr. WINSLOW. How long is that crop going to drag out?

Mr. AGAR. Until next May.

Mr. WINSLOW. That would take in some of the children of this crop of hogs, wouldn't it?

Mr. AGAR. No, sir; the crop of hogs that were farrowed last fall will come along in June and July. We generally have hogs in June or July for the summer.

Mr. WINSLOW. You think, now, the producer and the packer should have their way strewn with roses and gold under that arrangement

when every other manufacturer in the United States who has entered into a contract with the Government in good faith and has delivered his goods can not even get his money?

Mr. AGAR. I am sorry for the other fellow, if you please, but I am conscientious in regard to the packer and the producer.

Mr. WINSLOW. I admit that that perhaps is not involved in this bill, but, on the other hand, it may illustrate one of the evil effects of having the Government monkeying with these things at all.

Mr. AGAR. Don't you realize we had to monkey with them at the time?

Mr. WINSLOW. You mean as packers or producers?

Mr. AGAR. As producers and packers and everybody.

Mr. WINSLOW. Yes, sir. The reason you had to do it, you did everything you were told.

Mr. AGAR. Yes, sir.

Mr. MONTAGUE. Why didn't they monkey with the consumer's end of it?

Mr. AGAR. They did; it went up 50 per cent.

Mr. MONTAGUE. It was a monkeying against the consumer.

Mr. AGAR. Yes, sir.

Mr. MONTAGUE. They haven't asked us what we were willing to pay. We had to pay it or go without it.

Mr. AGAR. Don't you think the consumer has been reimbursed for having to pay higher than what he ordinarily paid for it?

Mr. MONTAGUE. I can only speak for myself, and I want to say that I have not.

Mr. AGAR. I am speaking of the laboring interests.

Mr. MONTAGUE. Take any man who is on a salary in this country and who has to live on his salary, and ask him whether he has been reimbursed or not?

Mr. WINSLOW. How much less do you think the hog market would have been in this country on the basis of demand and supply, which the gentlemen so well illustrated this morning, if the Food Administration had not gone into it?

Mr. AGAR. You would not have had enough pork to feed your army and the armies of the allies and your people here. You would not have had enough beef, and the price would have been 50 per cent higher today, in my estimation.

Mr. WINSLOW. How much food products in the animal line is there packed up in storage in the country today?

Mr. AGAR. I couldn't tell you.

Mr. WINSLOW. A year's supply for the Nation, isn't it?

Mr. AGAR. No, sir; I wouldn't think so.

Mr. WINSLOW. You wouldn't undertake to say there wasn't that much, would you?

Mr. AGAR. I can speak for myself, and I have sold up to what I had on hand on the 5th of January, and have been putting it away ever since on the supposition that if I get out with a whole skin I will be perfectly satisfied.

Mr. WINSLOW. Last autumn when the question of dividing the income tax came up, a body of men came from all parts of the United States and went before the general revenue collector, undertaking to have that income tax divided so as to be paid in two or three installments. Among them was a direct representative of one of the big

five packing houses, and if I am not in error, and I believe I am not, he said he represented the whole industry, and they took on bitterly because they said they had to pay that tax in one lump, on the ground that the Government had made them pay everything in sight on animals, packed up, and spend all the money they had to spend and all the money they could borrow, and that their warehouses were full, and that they had been forbidden to sell it to the public, and that they did not know whether they could borrow money because their proper credit was exhausted; that every bit of space the packers had was filled up tight with canned goods etc., and it has been since that time, hasn't it? As far as I can find out on inquiry, the government has stored away, and the packers have stored away, vast quantities of canned meats, and if the report is true, foreign refrigerator storehouses in London, Dublin, Glasgow and Edinburgh are overflowing with carcasses, and this vast army of ours is provided with all it can possibly handle, and we are shipping vast quantities to foreign countries. In the face of that, does it look like this 17½ cent proposition ought to go on for four or five months, and that these people we talk of protecting, the packer and the producer, should have their path strewn with roses and yet every manufacturer who is a producer in other directions should be either held out of his money or his orders cancelled? Do you insist that you are a preferred class?

Mr. AGAR. Absolutely no, and we do not want to be. The first part of your talk, where you said that this packer had said he wanted to pay this income tax in two or three installments, that was because we could not foresee the end of the war, and——

Mr. WINSLOW (interposing). Everybody wanted to do that, and probably they were right about it.

Mr. AGAR. Yes, sir. We were paying this large amount of money for live stock that we were salting away and did not have transports to transport it across the water. The consequence was we were filled up with the products that had cost 100 per cent more than ordinarily, and you can realize that we had borrowed all that we could get to carry on our business. Now, look at it from a sentimental standpoint: Mr. Hoover foresaw, as we think he did, starving millions over in Europe. It is true according to reports that England is filled up with stuff, but Sweden, Holland, Denmark, and France and other countries over there are not filled up, and as soon as the transport service can be gotten into effect they will take all this stuff that you have got here. That is the way we feel about it.

Mr. WINSLOW. Well, that is a speculation in a measure.

Mr. AGAR. It stands to reason that after being at war for four or five years, surely they are short of foodstuffs over there; wouldn't you think so?

Mr. WINSLOW. Do you want the committee to infer that the probable policy of the packing business will be so long as there is a starving country anywhere that we feed with our subscriptions, that we shall not only make subscriptions and feed them out of our public purse, but that we at home shall pay a premium price on everything we eat in order that we may provide a hundred million dollars to buy food for people in foreign countries for a while?

Mr. AGAR. That is what I would like for them to do, speaking personally.

Mr. WINSLOW. From a sentimental standpoint?

Mr. AGAR. Yes, sir; feed the world. We want to help these people—

Mr. WINSLOW (interposing). That is not alone but giving it to them.

Mr. STEPHENS. You must be a Democrat.

Mr. AGAR. I certainly am.

Mr. STEPHENS. I think better of you than I did at first.

Mr. WINSLOW. I do not want to press you further, but the contention of the packing business is that these people up in the produce exchange at New York do not know what they are talking about, and there is nothing in what they propose at all.

Mr. AGAR. Only as far as I have explained it, sir. That is, that if we did not have this overproduction, being overproduction on account of cessation of war, the price would not be 10 cents a pound. But under present conditions, but for our obligations to Mr. Hoover, or to the Government, I will say, this stuff would sell cheaper. there is no doubt about that.

Mr. WINSLOW. You say that you are a partiotic packer and citizen.

Mr. AGAR. Yes, sir; and I am proud of it.

Mr. WINSLOW. That we assume to be correct. Yet in the next breath you say you want to be supported, when the war is over, on a lot of stuff, raw product, on the hoof, so to speak, which is yielding you and your associates the biggest profit you ever had in your lives, whereas, in other lines that is not the case at this time. Now, where is there a superabundant partiotism in that?

Mr. AGAR. I will show you, sir. Our capacity has been increased from 100 to 400 per cent. It is owing to the volume of business we have done. We have complied in every respect with regard to conditions or prices we were told to pay and get for this stuff. We have taken the prices they have given us, and because that shows an abnormal profit, due to an abnormal increase in volume of business, I say an abnormal profit over what it would ordinarily show, are we to be blamed for this business that has come in to us, and that we have had to turn out posthaste, working nights, days, and Sundays? We are giving this back to the public by increases in wages that we are making, and that labor demands from us, and which they are justly entitled to.

Mr. WINSLOW. But wherein do you differ from the producer of hardware, or woolen goods, or cotton goods, knit good, or any other line of goods that is made in a factory? They are lassoed and checked to death, and you say, "Let us still sell on indefinitely as long as there is a hungry man in the world." That may be ten years from now. You wouldn't expect us to report on the idea of letting this golden profit go on for you while every other industry is suffering and you take the premium for yourself, would you?

Mr. AGAR. I am not speaking for them. We are all looking for a readjustment. Probably that readjustment has come now to them as we are looking for ours later.

Mr. STEPHENS. I would like to ask Mr. Winslow to tell me if he purposes to have the Government violate its pledge to these producers of pork before this crop is disposed of?

Mr. WINSLOW. No; I do not believe in the Government violating its pledge in any thing. But we do not want the great big farming country of the West, which comes in here with more wind speeches

than any other section, want a good price for their hogs and cattle, and then refuse to pay for other things produced in factories. Let them be consistent.

Mr. MONTAGUE. How many men do you employ?

Mr. AGAR. About 450.

Mr. MONTAGUE. Do you know the total number of employees of all the packers in Chicago?

Mr. AGAR. We figure about 50,000 or 60,000.

Mr. MONTAGUE. Adult men and women?

Mr. AGAR. Yes, sir.

Mr. MONTAGUE. At the time this agreement was made, I understand the purpose of it was to stimulate production of cattle and hogs, was it not?

Mr. AGAR. Yes, sir.

Mr. MONTAGUE. But underlying that purpose, which was justifiable, there was the assurance that a big profit would be made if the purpose was fulfilled?

Mr. AGAR. No, sir; not to the packing industry, and only such profit to the producer as would give him an incentive to do his utmost, almost to the point of impossibility.

Mr. MONTAGUE. After you agreed to give the producer that sum, how were you going to make your profit? You were going to make a good profit, weren't you?

Mr. AGAR. We had to take the price as fixed for us.

Mr. MONTAGUE. What price was that?

Mr. AGAR. They are different prices for the different cuts, you know.

Mr. MONTAGUE. The Government fixed the price to the consumer too?

Mr. AGAR. Well, we all had a voice in that matter, and talked it over pro and con, and tried to figure out as near as we could get at it from an equitable standpoint what would be the profit for the one and the other; on ordinary business we wouldn't make any more money than ordinarily, but the amount of the orders, the amount of the allotments we get from the Allies and other countries, Belgian relief, and one thing and another, is what made our profits larger.

Mr. MONTAGUE. Your profits during this time of war were immense. Your profits and the profits of the producers. I mean?

Mr. AGAR. Until such time as we were restricted to two and a half cents on our turnover.

Mr. MONTAGUE. The people in your business, and the producer of pork and cattle, their patriotism was stimulated all the time by revenue, was it not? And at the same time the poor people who had to eat and did not raise any thing had no inducements held out to them?

Mr. AGAR. Probably you are a little unfortunate on that standpoint.

Mr. MONTAGUE. I had many millions of associates.

Mr. AGAR. Well, we didn't do it from a profit-making standpoint, but it was patriotism.

Mr. MONTAGUE. It wasn't a losing patriotism so much with you as it was with us?

Mr. AGAR. Yes, sir.

Mr. MONTAGUE. We not only had our boys out at war, but we were unable to keep servants and had to cut down on everything.

Mr. AGAR. The cost of living was very high, we know that.

Mr. MONTAGUE. The cost of your sausage was so high that we could not put it on our tables.

Mr. AGAR. We had to keep up with the requirements of the occasion. We had to build new buildings and increase our capacity to such an extent as to meet the demands of ourselves and our allies; we had to put buildings on our property which when built, in the last year or so, cost very large prices, and that in another year of so we could have built for just half the amount.

Mr. WINSLOW. But your contracts let you pay for these buildings out of profits.

Mr. AGAR. No, sir.

Mr. MONTAGUE. Did you carry these into your profits?

Mr. AGAR. Did we carry them into our profits?

Mr. MONTAGUE. Did you carry these buildings into your profits before declaring a dividend or paying taxes?

Mr. AGAR. We wouldn't be allowed to do that.

Mr. MONTAGUE. And you say your business was not so profitable.

Mr. AGAR. Not after we figured the difference in cost as the result of increasing our capacity.

Mr. MONTAGUE. That is all I care to ask.

Mr. DOREMUS. Do you wish to ask any questions, Mr. Sweet.

Mr. SWEET. Yes; I would like to ask a few questions.

Now, Mr. Agar, you said in your evidence here that you had a conference with Mr. Hoover. That is, you mean by that, the representatives of the producers and the representatives of the packers met with Mr. Hoover in regard to the meat question?

Mr. AGAR. If Mr. Hoover was not at that meeting, his representative, Mr. Snyder, was.

Mr. SWEET. How often did you meet?

Mr. AGAR. The producers and packers met with Mr. Hoover at least once a month, I would think.

Mr. SWEET. And the whole food situation in this country was discussed and talked over?

Mr. AGAR. That is, the food situation from a meat standpoint; yes, sir.

Mr. SWEET. That is what I meant.

Mr. AGAR. Yes, sir.

Mr. SWEET. You finally came to an understanding that the producers were to receive \$17.50 a hundred pounds, and in coming to that conclusion you said that they figured on the basis of 13 bushels of corn to produce 100 pounds of pork. Now, the price of corn that you figured on must have been somewhere in the neighborhood of \$1.30 or \$1.35 a bushel?

Mr. AGAR. Yes, sir.

Mr. SWEET. Now, then, after having come to the price that the producer was to receive for his product, what understanding or arrangement did you have with Mr. Hoover, or his representative of the Food Administration, in regard to the price you were to sell your product for?

Mr. AGAR. We went over it from the standpoint of figuring what the hogs would yield and what it would cost us at the rate of 17½ cents a pound minimum, and would then submit to him the prices that we thought we should have for it.

Mr. SWEET. What percentage of profit have you figured that way, or that you agreed upon?

Mr. AGAR. We could not figure more than 2½ cents on our turnover.

Mr. SWEET. And that is what you did figure, is it?

Mr. AGAR. Yes, sir.

Mr. SWEET. Now, then, did Mr. Hoover, or the Government, in any way guarantee you that price for any period of time?

Mr. AGAR. No, sir. They would say we were going to get that price for the allotments that the Allies or the Government here would require of the product.

Mr. SWEET. There was an understanding with the Allies? Were they represented there?

Mr. AGAR. Yes, sir.

Mr. SWEET. The understanding that you had was that our Government and the Allies would permit the packers to receive a certain percentage of profit on all hogs bought on that basis? That is, upon the basis of 17½ cents a pound.

Mr. AGAR. Not all of the product, but 60 per cent or less. That is, from 30 per cent to 60 per cent of that product that the allies would take, along with our Government, they would give us the price figured 2½ per cent on the turnover—that is, give us that price figured out plus 2½ cents on the dollar.

Mr. SWEET. How much would our Government take? What agreement was there in that respect?

Mr. AGAR. Let us see; how much of the product do you mean?

Mr. SWEET. How much would our Government take of the meat products?

Mr. AGAR. That was figured in the 60 per cent.

Mr. SWEET. That arrangement is going on now with the Government?

Mr. AGAR. No, sir.

Mr. SWEET. Has the Government refused to pay that price or to take that amount?

Mr. AGAR. The Government is calling now for separate bids for the product.

Mr. SWEET. And at the present time you say there is a large supply of meat in England, in London, Edinburgh, and other places, do you?

Mr. AGAR. Only what I hear about is England.

Mr. SWEET. How is it in this country?

Mr. AGAR. We have stuff on hand.

Mr. SWEET. Isn't it true that to-day the cellars and the warehouses of the packers are filled with meat?

Mr. AGAR. I can not say as to the packers. My house is not.

Mr. SWEET. Well, don't you know that the cellars and warehouses of the large packers to-day are filled with meat?

Mr. AGAR. Yes; but not abnormally so, I wouldn't think.

Mr. SWEET. Isn't it true that to-day you are looking for a market for your meat products?

Mr. AGAR. Yes; to some extent. This is the usual time of year when we packers fill our houses on account of the abnormal runs that we have at this time of year, and when we get away from the farmer and the small butcher, who in the winter time kills a few hogs, or a hog for themselves, I say when they get away from that, our demand comes along, then in May, June, July, August, and September.

Mr. SWEET. You would then like to see this Government appropriate a hundred million dollars to feed the people in Europe, would you not?

Mr. AGAR. I think that is the solution.

Mr. SWEET. Yes, sir; that is the solution in your opinion.

Mr. AGAR. Yes, sir.

Mr. SWEET. Now, then, has there been any understanding with the Food Administration or otherwise that there would be an effort made to appropriate a hundred million dollars for the purpose of feeding the people across the seas?

Mr. AGAR. None at all, so far as I am concerned, and I think I can speak for the rest of the packers in that respect.

Mr. SWEET. You would like to see that done, of course.

Mr. AGAR. Naturally.

Mr. SWEET. One of the reasons you would like to see it done is that it would furnish you a market for the products you have on hand now, and thus relieve the congested condition, isn't that true?

Mr. AGAR. Yes, sir.

Mr. SWEET. Now, in your testimony you referred to the zoning system, and right in this connection isn't it true to-day that in some parts of the United States sufficient cars are not furnished to deliver hogs to the city of Chicago? In other words, isn't there a restriction placed upon cars being sent to certain points in Iowa to-day?

Mr. AGAR. Yes, sir; an embargo.

Mr. SWEET. An embargo is on?

Mr. AGAR. Yes, sir.

Mr. SWEET. And this embargo is a part of this packing arrangement that you have to relieve the present unusual supply of meat products that you have on hand?

Mr. AGAR. Live stock; not meat products.

Mr. SWEET. Now, the tendency of putting that embargo on is to keep hogs in the hands of the farmer and out of the market, isn't it?

Mr. AGAR. No, sir; to enable the packers to keep their word with the administration and the live stock producers in their guaranty of 17½ cents a pound for their hogs.

Mr. SWEET. I see. Then the Railroad Administration is working in conjunction with the Food Administration on this proposition?

Mr. AGAR. I would think so, but I don't know that.

Mr. SWEET. I think that is all I care to ask you.

Mr. DOREMUS. Mr. Parker, do you wish to ask any questions?

Mr. PARKER of New Jersey. Yes, sir. Mr. Agar, do I understand you that you think there will be a very large demand for meat in Europe because of starving people there?

Mr. AGAR. Yes, sir.

Mr. PARKER of New Jersey. And that it will last at least until the next harvest?

Mr. AGAR. I personally would figure on six months, anyhow.

Mr. PARKER of New Jersey. Are they prepared even during the whole of this year, 1919, to grow even an ordinary amount of stuff over there?

Mr. AGAR. No, sir; I wouldn't think so.

Mr. PARKER of New Jersey. So it may last until the following year; that is, the shortage of food?

Mr. AGAR. It would pick up a certain percentage every year until they get back to their normal times.

Mr. PARKER of New Jersey. Is there any way to induce producers here who produce large quantities of meat to produce those large quantities of meat except by keeping up the price?

Mr. AGAR. Since the war is over, if you please, you have got to make it interesting for any man in business, and if you want this large production to continue we will surely have to make it interesting or make it profitable to the producer.

Mr. PARKER of New Jersey. If we allowed the present glut of meat, caused by large production and want of transportation, to be thrown on the market here so as to reduce prices, is it likely that the producers of hogs would go on producing this year, or is it necessary to maintain the price so as to maintain the production?

Mr. AGAR. The price of corn will be a determining factor in that, Mr. Congressman. If your price of corn is high enough, why it is going to make your pork cost more.

Mr. PARKER of New Jersey. I say, if you do not sustain the price of pork, is it likely that there will be a glut of pork in the market which would reduce prices so that the producers wouldn't make the pork that will be needed for next year?

Mr. AGAR. There is, sir, taking the producer's side of that, and having heard them express themselves that they would not or could not produce it unless they got the price.

Mr. PARKER of New Jersey. Unless they got that price?

Mr. AGAR. Yes, sir.

Mr. PARKER of New Jersey. Do you or not therefore think it wise in view of starvation in Europe and the need of enormous exports that will take place to feed the starving people, to maintain the price of pork that has been fixed as a war measure?

Mr. AGAR. Personally I do, sir.

Mr. PARKER of New Jersey. That is what I wanted to find out your view on.

Mr. AGAR. Yes, sir.

Mr. PARKER of New Jersey. You are entirely in accord, then, with Mr. Hoover and think he has prevented not only a great fall in the price of meat but a great rise in the price of meat by the action he has taken?

Mr. AGAR. He certainly has.

Mr. PARKER of New Jersey. You are a packer with a certain number of hands. Do you pack both pork and beef?

Mr. AGAR. Both. I would kill 350,000 hogs and from 50,000 to 75,000 cattle.

Mr. PARKER of New Jersey. Do you use refrigerator cars or not?

Mr. AGAR. We do.

Mr. PARKER of New Jersey. Your own?

Mr. AGAR. No, sir.

Mr. PARKER of New Jersey. Where do you get them?

Mr. AGAR. From the railroads when we can get them that are good enough and lease them from these corporations that have refrigerator cars and that they lease to the smaller packer.

Mr. PARKER of New Jersey. And you find that satisfactory?

Mr. AGAR. Yes, sir.

Mr. STEPHENS. In view of the questions that have been propounded you in regard to the maintenance of price of pork during this calamity, does it not occur to you that if these prices were not maintained, universal disaster would follow as the result of the production of this vast amount of products upon the pledge of the Government?

Mr. AGAR. It surely would have done so. We would have had a calamity here if you did not throw out some inducement along with their patriotic motives.

Mr. STEPHENS. I had in mind more particularly the financial calamity that would overtake the producer who had produced this pork at a high price.

Mr. AGAR. Yes, sir.

Mr. STEPHENS. At a high cost, I mean.

Mr. AGAR. Yes, sir.

Mr. STEPHENS. If the Government withdrew its support and protection until he had finally turned it into pork?

Mr. AGAR. Yes, sir; you are right.

Mr. WINSLOW. Do you think that is any different from the fellow who paid a high price for cotton, nickle, and steel and other products if they cut him off?

Mr. AGAR. Mr. Congressman, I am not familiar with that. I am not in a position to answer that question from any standpoint.

Mr. WINSLOW. As a matter of personal judgment, aside from your being a packer, what do you think about it?

Mr. AGAR. I think we could handle them a great deal better; that is, hardware and things of that kind, for we can get along a great deal better without hardware than we could without food-stuffs.

Mr. WINSLOW. That may be true, but still where they have the hardware, and their capital is invested in it as fully as is the case with you, you wouldn't say there would be any difference in the calamity, would you?

Mr. AGAR. Oh yes, I would.

Mr. WINSLOW. Why?

Mr. AGAR. Because the food question is of so much more importance than the hardware question. The hardware industry is quite a different industry. I don't think you would readily say that they would be put into that position.

Mr. WINSLOW. Are you willing to let yourself go on record that you think a dollar of the people's money is more sacred if it is in the packing business than it is in general production?

Mr. AGAR. I don't know about the hardware business.

Mr. WINSLOW. Well, take any business that you want to take.

Mr. AGAR. The packing business is all I want.

Mr. WINSLOW. Take the cotton business. That is the one that controls this country to-day. What about that?

Mr. AGAR. I wouldn't know about it. I couldn't tell you about the value of cotton or hardware or anything along that line. I know that they were short of foodstuffs.

Mr. WINSLOW. You wouldn't want to go on record that you thought the packers and others who work with them are a privileged class in this country, would you?

Mr. AGAR. No, sir; we are not and don't want to be a privileged class. But we have an industry that I feel proud of, and am glad to be a member of, and I do not want you gentlemen to do anything to stifle the ambition of any American who gets into this business so that he may not become as great a business man as any man in the country if he sets out to do it.

Mr. WINSLOW. What do you think would have happened so far as meats are concerned if we did not have a meat commission?

Mr. AGAR. How is that?

Mr. WINSLOW. What would have happened to your industry?

Mr. AGAR. We wouldn't have had enough meat to fill the demand.

Mr. WINSLOW. You do not think by the ordinary law of supply and demand that prices would have automatically risen to a point where you could have made a living?

Mr. AGAR. No, sir.

Mr. WINSLOW. That is the only business in the country that wouldn't stand. All the rest of them raised it to that point.

Mr. AGAR. Well, that may be.

Mr. WINSLOW. That is all I care to ask.

Mr. DOREMUS. That is all, Mr. Agar, and we thank you very much for giving us the benefit of your information.

We will now hear Mr. Sullivan.

STATEMENT OF MR. FRANK J. SULLIVAN, PRESIDENT OF THE SULLIVAN PACKING CO., DETROIT, MICH.

Mr. DOREMUS. Mr. Sullivan, do you care to make a general statement first?

Mr. SULLIVAN. Yes; just briefly, Mr. Chairman. I have been in the packing business and the dressed meat business for the past 18 years, and for the past 10 years in the general packing business. Previous to that time we just slaughtered cattle. Our plant is located in Detroit, but we operate two branches on the east side of the city and one in Toledo. We purchase at the present time about 75 per cent of our live stock on the Detroit market, and the balance in the principal markets of the United States. On a fair average we purchase about 50 per cent in Detroit and 50 per cent in the Western markets during the year.

We do not operate any refrigerator cars. The only branches that we now run are the two I have named and the one in Toledo.

I think that is all of the general statement I have to make.

Mr. DOREMUS. What is your attitude in reference to the bill that the committee is now considering?

Mr. SULLIVAN. Relative to refrigerator cars, I would say I think it is very important for a packer to have refrigerator cars and also branch houses. For illustration, we only operate one branch house at Toledo, and it takes two days to get a refrigerator car spotted in Detroit, and about two days to get it to Toledo.

To overcome that difficulty, I purchased a six-ton truck and a seven-ton trailer, and we are now handling our stuff from Detroit to Toledo by motor, principally due to lack of refrigerator cars. We are marketing about 40 per cent of our product in Detroit, and in Michigan, and the other 25 per cent is sold throughout the United States, leaving 35 per cent exported.

Mr. DOREMUS. Is that your chief objections to the bill?

Mr. SULLIVAN. That is the chief objection so far as I can see.

Mr. DOREMUS. Have you any objection to the license plan proposed by the bill?

Mr. SULLIVAN. Yes, I have. I think the license should be removed as in prewar times, and that we should operate the same as in other lines of business.

Mr. STEPHENS. What method have you of preserving this meat in transporting it by motor cars?

Mr. SULLIVAN. The truck has a refrigerator the same as refrigerator cars. It has ice bunkers on the rear.

Mr. STEPHENS. How long does it take to make the trip?

Mr. SULLIVAN. It is a distance of 60 miles and it takes four and a half to five hours to make the trip.

Mr. STEPHENS. Do you think that cheaper?

Mr. SULLIVAN. Yes, it is cheaper.

Mr. STEPHENS. Than refrigerator cars?

Mr. SULLIVAN. Yes, sir.

Mr. STEPHENS. You have good roads there now?

Mr. SULLIVAN. For the past two months we have had.

Mr. STEPHENS. And if you had good roads you could distribute your meat anywhere almost within two or three hundred miles from the packing house via motor.

Mr. SULLIVAN. Yes, sir.

Mr. STEPHENS. Have you any objection to the carriers taking over the stockyards as provided in this bill?

Mr. SULLIVAN. Why, I think the stockyards operated by packers is much better than railroad control. For instance, the Detroit stockyards are operated by the Michigan Central Railway Co. and the Buffalo yards also. But they are not operated as efficiently as the Chicago, Kansas City, Omaha, and other stockyards are.

Mr. STEPHENS. In what particular are they not operated as efficiently?

Mr. SULLIVAN. Well, in the service that they give to the packers. We buy in all those markets.

Mr. STEPHENS. What service?

Mr. SULLIVAN. Well, as an illustration, the loading of hogs and the crippling of hogs that are put in cars, and checking arrangements, and all things pertaining to this line.

Mr. STEPHENS. Carelessness in handling?

Mr. SULLIVAN. Yes, sir.

Mr. STEPHENS. If the Government made a business of that, I assume that the situation would be improved a little bit.

Mr. SULLIVAN. It might, but it appeals to me that the way it is handled now is very satisfactory.

Mr. STEPHENS. You see no discrimination in the packers' control of stockyards against independent traders?

Mr. SULLIVAN. Not at all.

Mr. STEPHENS. You have never noticed that?

Mr. SULLIVAN. No.

Mr. STEPHENS. I think that is all.

Mr. DOREMUS. Mr. Winslow, do you wish to ask any questions?

Mr. WINSLOW. Yes, sir; I would like to ask a question or two. Now, Mr. Sullivan, do you know whether or not the policy of the big packers is to be helpful to the independent small packers in respect to telling them how to improve their methods, and one thing and another from time to time, and are they friendly or not?

Mr. SULLIVAN. Yes, sir.

Mr. WINSLOW. They do not refuse to tell them how to do their work in a better way?

Mr. SULLIVAN. No. For illustration, in Detroit we have all of the principal packers. We have the five leading packers, and they all have branch houses there, besides the local packers. They have been there for a number of years, and the local packers have progressed and so have they.

Mr. WINSLOW. That does not quite answer what I am inquiring about. Suppose you were a little leary as to some feature of a refrigeration plant and you wanted to know how to overcome the difficulty. We will assume that you are unable to hire or maintain big mechanical engineers, and so on. Would you feel free to go to some big packer and ask him to give you a lift on that?

Mr. SULLIVAN. Yes, sir; I would.

Mr. WINSLOW. And you would expect his help?

Mr. SULLIVAN. Yes; and I think he would be very glad to do so, regardless of which one it might be.

Mr. WINSLOW. One more question, and not to pry too much into your business, either. Are there cases when men in your trade find it desirable to have conferences in the interests of broad items affecting your affairs, and then do you find that the big packers are willing to sit in with the independent small packers?

Mr. SULLIVAN. At the Food Administration meetings; yes, sir.

Mr. WINSLOW. Suppose you were going to have a convention or meeting of the packers at Atlantic City, as so many associations or businesses have, and you had council meetings or executive committee meetings, in secret, to talk over the well being of your business, would you expect those men to come and participate on even terms?

Mr. SULLIVAN. We would. We have a convention held every year, and also a banquet in Chicago.

Mr. WINSLOW. You fraternize in that way the same as the members of any ordinary trade?

Mr. SULLIVAN. Yes, sir.

Mr. DOREMUS. Mr. Sullivan, the tendency of prices to the consumer for a number of years previous to the European war were upward. Have you any information as to the fundamental cause of this upward trend in prices to the consumer?

Mr. SULLIVAN. Well, I think about the only way I could answer that would be to say that supply and demand would cover it.

Mr. DOREMUS. In other words, in order to get lower prices to the consumer, they have got to raise more stock, is that the way?

Mr. SULLIVAN. Exactly. The way the matter stands now we are trying to feed the world, and we could not conscientiously look

for much lower prices. If anything, it would be reasonable to expect they would be a little bit higher.

Mr. DOREMUS. Have the profits of your business been greater since the United States entered the war than before?

Mr. SULLIVAN. The past year they were not. Since the United States went into the war, do you mean.

Mr. DOREMUS. Yes.

Mr. SULLIVAN. No; they have not been.

Mr. DOREMUS. They have not been larger?

Mr. SULLIVAN. No, sir.

Mr. DOREMUS. They have been larger since the beginning of the war in Europe than they were previous to that time?

Mr. SULLIVAN. Yes.

Mr. DOREMUS. Isn't that due to the larger turnover?

Mr. SULLIVAN. Apparently.

Mr. DOREMUS. Supposing that your turnover since the war in Europe started had remained the same as it was prior to that time, would your profits have been larger to any considerable extent?

Mr. SULLIVAN. I do not believe so.

Mr. STEPHENS. Do I understand you to say that you made greater profits from the beginning of the European war up to April, 1917, than you have since?

Mr. SULLIVAN. Yes, sir; last year was not a very good year with us.

Mr. STEPHENS. To what do you attribute that?

Mr. SULLIVAN. Some of our Government contracts did not do us very much good. They lost us money during the summer months.

Mr. STEPHENS. On the fact that you were unrestrained and the allies bid up for your stuff and you got better prices.

Mr. SULLIVAN. There were no restrictions at that time.

Mr. STEPHENS. You had unrestricted competition for your product prior to April, 1917?

Mr. SULLIVAN. Yes, sir.

Mr. STEPHENS. Since that time you have not had unrestricted competition for your products?

Mr. SULLIVAN. No, we have not.

Mr. STEPHENS. The Government has regulated it somewhat?

Mr. SULLIVAN. Yes, sir.

Mr. DOREMUS. That is all, Mr. Sullivan, and we thank you for your attendance here.

STATEMENT OF MR. IRA N. KATZ, OF THE IRA N. KATZ PACKING CO., SOUTH ST. PAUL, MINN.

Mr. DOREMUS. You may proceed, Mr. Katz. You are an independent packer?

Mr. KATZ. Yes, sir.

Mr. DOREMUS. Make your statement.

Mr. KATZ. I am here to qualify as a witness and in opposing this bill I will explain my reasons.

I have been engaged in this business for the last 18 or 20 years only, in the beef business, not in pork. I have been operating away from the stockyards for at least 12 years; that is, about 10 or 12 miles away from the yards. The reason for that was, I had no

packing house of my own, and just did the killing in somebody else's house and paid him so much per head. During this time that I had been operating in that plant, away from the yards, the Union Stock Yards Co. of South St. Paul has approached me several times to come down and do business at the yards. They offered me a piece of ground to build on. But in those times I did not have sufficient capital to build, and I have been just going along in a small way at that place. Profits were very small at the time and I just made a little and saved a dollar or two, but not enough to spend any money to buy ground or add any buildings. About five years ago the Union Stock Yards Co. approached me again and told me there was a plant in South St. Paul, a small packer's plant, run under the name of W. E. McCormick Packing Co, and that Mr. McCormick had gone out of business, and they had purchased the plant from him. They said, "Here is an opportunity for you; how is it you could not come down here?" They said, "It was before that you had no place to do business in, but now that we have this building we will lease it to you." I took the matter up with them, we got together, and I leased the building from them on a five-year lease. When I began to run the business there, my business started to increase and I made a little more money. I will tell you why it was: At the plant where I was before, somebody else owned the building and I had to sell all of my by-products, as they call them, feet, head, tallow and green hides as they came from the cattle, to them, because they made a profit out of that, and therefore I only made a little profit out of the beef. But the plant I have leased from the Union Stock Yards Co. provides me with facilities to take care of my own by-products.

As I went along, in two or three years I bought a piece of ground from the stockyards company, which I still own, and I intend to build a little packing plant when the building situation gets a little better. The stockyards company has always favored me and did not charge me any rent that wasn't reasonable and always helped me along. When I got in any trouble, or when anything happened in the plant in the way of a breakdown or something of that kind, they always had somebody to help me out. And Swift & Co.'s branch is just across the street from my plant, and they have always helped me out. I own four refrigerator cars myself. I do not do an interstate business and no Government business. As I have only four cars, sometimes when the busy season comes I run short of a car, once in a while; but I can always go to Swift & Co. and ask them to let me have a car for a couple of days. Of course, they charge me so much a day for it, but I can always get it. On the other hand, sometimes when it comes in that I need a common box car to load by-products, hides, and tallow, it will take a few days before I get it.

So far as buying stock at South St. Paul yards is concerned, I have found no difficulty in getting what I wanted and sometimes got a little more than I wanted. If there is a large run that comes in any one day, we are always there to protect the market and buy as many as we possibly can. Sometimes I have a car of stock too much, and I have to ship it to another market or sell it because I can not take care of it in my own plant.

My business has increased in five years. It is just five years since I came to South St. Paul, and it has increased from 75 cattle a week to 300 cattle a week. That is, from the time I came to South St. Paul at the request of the stockyards company.

As to the trading there, the selling and buying, the stockyards company has nothing to do with it as far as I know. I have been buying my cattle all along myself, until my business increased and I had to have another man, but I am still buying my own cattle. There is no arrangement among the packers so far as I know. Sometimes they bid first on the cattle that I buy, and sometimes I bid first on the cattle that they buy. It is the demand that sets the price. When I ask a man what he wants for cattle and he sets his price, I bid on the cattle what they are worth to me. They generally do not sell to the first man who bids. As far as I know, there is awfully keen competition among the commission men or salesmen. Each one wants to outsell the other one and show the shipper that he got 5 cents or 10 cents or 25 cents more for his cattle, in order to get his business in the future. Sometimes I bid on cattle, then Swift & Co. bid on cattle, and then another bidder bids, then another one bids, and maybe the sixth or seventh man will buy the cattle.

Therefore, gentlemen of the committee, I am opposed to this bill. Everything is now being run on a business basis and is fair and square as far as I can see. That is all I have to say.

Mr. SWEET. You are located in South St. Paul?

Mr. KATZ. Yes, sir.

Mr. SWEET. Do you handle hogs and beef?

Mr. KATZ. No; just beef only.

Mr. SWEET. You are not doing an interstate business?

Mr. KATZ. No, sir.

Mr. SWEET. Where do you sell your products?

Mr. KATZ. St. Paul, Minneapolis, and Duluth.

Mr. SWEET. You sell all of your product in the State of Minnesota?

Mr. KATZ. Yes, sir.

Mr. SWEET. Have the large packers any interest whatever in your business?

Mr. KATZ. No, sir.

Mr. SWEET. Have they ever offered to buy you out?

Mr. KATZ. No, sir.

Mr. SWEET. Have they ever made any proposition to you?

Mr. KATZ. No, sir.

Mr. SWEET. Have they in any way interfered with your buying on the market there?

Mr. KATZ. No, sir; no more than any other buyer. That is the competition, and is open for everybody, and everybody tries to pay what he thinks is right.

Mr. SWEET. You have no complaint to make against them, then?

Mr. KATZ. Not as far as I know. In fact, I wish to state about a year and a half or two years ago a Government representative, Mr. Barrett, was in my place and questioned me about buying, and did I have any competition, and about selling, and how the stockyards company took care of me, and how the banks took care of me, and all

such questions as that, and I answered him in everything. A few months later there was a hearing in St. Paul but they didn't call on me. I don't know the reason, but only Mr. Barrett is the representative who came to me personally and took my testimony; that is all I did.

Mr. SWEET. You are opposed to this bill then?

Mr. KATZ. Yes, sir.

Mr. SWEET. You feel that there is no legislation necessary at this time in regard to the marketing of live stock at St. Paul or South St. Paul?

Mr. KATZ. Not as far as I can see. It is running smoothly. There are two other small packers in South St. Paul, and they are smaller than I am, and we are all getting along fair and square. We are not making anything especially, but—

Mr. SWEET (interposing). You feel that a man can enter the packing-house business just as well now as he could five or six years ago?

Mr. KATZ. Yes, sir; absolutely.

Mr. DILLON. I think that is all.

Mr. WINSLOW. Have you been independent financially and in every other way of all the packers?

Mr. KATZ. Independent, absolutely.

Mr. WINSLOW. Well, I mean at all times. You never have been financially assisted by any of the big packers?

Mr. KATZ. We have never been financed by any big packer, no, sir.

Mr. WINSLOW. Nor by any banks which they controlled?

Mr. KATZ. By any banks they control?

Mr. WINSLOW. Yes.

Mr. KATZ. Well, I don't know. I do business with the Stock Yards National Bank. I don't know whether they are interested in that bank or not. They may be. I couldn't say.

Mr. WINSLOW. You have no reason to know it?

Mr. KATZ. Why, I—get all I want there. Whatever I need, and it is none of my business whether they are or not.

Mr. WINSLOW. You have no particular means of knowing that they are connected with that bank?

Mr. KATZ. Well, to be frank, I think Mr. Bangs, who is the superintendent of the Swift plant there—I think he is an officer of that bank. So very likely they are interested in it. I am not a big borrower, but they always give me what I need.

Mr. WINSLOW. You don't trace any particular help to the Swift Co.?

Mr. KATZ. Any particular help to me?

Mr. WINSLOW. You don't trace it back to them? You just go to the bank like any other customer?

Mr. KATZ. Yes; I never went to Swift & Co. nor anybody else.

Mr. DOREMUS (presiding). Thank you very much, Mr. Katz. If Mr. Craig is in the audience, we would like to hear him.

STATEMENT OF MR. JAMES CRAIG, JR., OF PARKER, WEBB & CO., DETROIT, MICH.

Mr. DOREMUS. You are independent packers, Mr. Craig?

Mr. CRAIG. Yes, sir. What time are you going to adjourn? Are you going to adjourn in a few moments, or later?

Mr. DOREMUS. It is 20 minutes after 4 now.

Mr. CRAIG. There are two or three other packers that are still left. Will they come first in the morning?

Mr. DOREMUS. I am afraid not.

Mr. CRAIG. Then, I am perfectly willing to go ahead to-night if you are willing to hear me.

Mr. DOREMUS. I understand that Judge Sims, the chairman of the committee, has by appointment arranged to let some of the big packers go on in the morning, and what I am afraid of is that unless the independent packers get in this afternoon they won't have an opportunity.

Mr. CRAIG. Well, I would have liked very much to have a large attendance of you gentlemen here. I saw from the questions they asked to-day that they were interested, and I also saw that they were not fully posted in regard to the pork-packing business.

You have asked the question, "Are you opposed to this bill or are you not opposed to the bill?" I am not opposed to anything that is for the good of the general public or for the good of the little packer or for the good of the big packer, but I am opposed, very strongly opposed, to the Government entering into any sort of commercial business, and I judge from the Sims bill that that is what it amounts to.

Now, I have had quite a number of years experience in this business. I have been in it pretty nearly all my life. I was a year and a half or two years out in Omaha, part of the time with Cudahy, Armour & Cudahy at that time; and part of the time with Hammond & Co., just enough to get a little acquainted with the pork-packing business; and the rest of the time I have been in business in Detroit, Mich. For 10 years I went to the stockyards myself and bought the hogs. I started as shipping clerk, and I have been right through the whole thing, and I think I can tell whether there is any manipulation or any underhanded work going on.

In the first place, it is the consumer that you want to consider, I imagine—or maybe it is the producer—but we will start with the consumer. I know as far as the consumer is concerned that they get better service, cheaper prices, by having this big distributing trade and big distributing arrangements, than they would get if every little fellow had to try to do it himself. I know when Armour, J. Ogden Armour, came to Parker, Webb & Co., to sell goods, they were about our size at that time. How have they grown? They have grown by hard work, early and late, and I say by fair means, because we have never yet seen any underhanded competition in our line of business, and we had no capital to speak of when we started, and we have grown fairly well.

And, in regard to buying hogs—one thing I want to explain to you, \$1.30 was the price of corn, and I think it was arranged at 13½ bushels to 100 pounds of live hogs—that is, what I was told, which would make the price \$17.55 for 100 pounds of live hogs, or 17½ cents per pound.

Mr. DOREMUS. How is that?

Mr. CRAIG. One dollar thirty a bushel, 13½ bushels.—(it may have been 13 bushels). That would make it \$17.55 for hogs. I know from what I have heard and the way I felt that that was too high. We kicked like everything. We wanted these hogs at 16

cents, and we still think the Government made a mistake in putting them at 17½ cents. But what could we do? Hundreds and hundreds of raisers came here and kicked and kicked, and kicked until we had to put it at 17½ cents. Now that put us in a very bad position. I know that you gentlemen want to be fair, and we were assured that if we paid 17½ cents we would get a fair price for 60 per cent of our products, which we have done up to the present time, and which I expect will be continued. Now this gentleman thinks—I won't say he thinks, but I assume he thinks—it ought to be cut off pretty quick. All we ask is: Supposing it is 17½ in February; if we put our money into the hogs at 17½ in February, it would take us 30 to 60 days to distribute it, and let us have the agreed price until we get rid of that product. We don't care, as far as the packers are concerned, how soon it goes down, but it will react on to the fellow that raised the hogs. Now he has raised the hogs and you can judge just as well as I can, by talking with the people, how long you ought to continue it. It is something we have nothing to say about. We are perfectly willing to do what is fair. Now, I did not expect to come down here. I got a telegram from my friend, Mr. Taliaferro, saying that he thought I ought to come down, and I came in a hurry, and I read the Sims bill over on the way down. I have read it once before, and I took a few notes.

Why should the Government run the packing business any more than they should run the fertilizer business, the can business, the tobacco business, or any other business. Are we doing things that we ought not to do? So far as we are concerned we are not, and so far as the big packers are concerned, I don't think so. We can earn pretty nearly as much on our capital as they can, unless it is some outside business. Take the Cudahy Packing Co., they have got their cleaner, Old Dutch Cleanser, and they sometimes make more on that than they do on the packing business. And they can, when they have the big money, make a little more, but aren't they entitled to it? We do not complain. We make a fair return on our capital, let us say from 7 per cent to 10 per cent. Once in a while, on a rising market, we might get a little more. If we get that for a year or two, why next year we get less, and it brings it down. We haven't had anything more than a fair return on our money, and I don't think the big packers have had any more than a fair return.

Now, about buying hogs. We buy hogs at all markets in the country. We can buy hogs just as cheap as Armour, Cudahy, Swift, or any of the rest of them, and we haven't any reason to complain of the way they handle them or their way of getting a supply. If we get our order in there early enough, we get it, if we get our order in late, we don't get it. Everybody is treated fair.

I see in the bill they are going to appropriate the stockyards. That means just take them away. Is that fair? I don't consider it so. This is not against the little fellows; it is against the big fellows, and just because they are big, I don't think they should be prosecuted.

The Sims bill allows the Government to buy real estate and build buildings. Now if they build plants, and if they are going to buy real estate and build plants, we want to be out of the business. In the first place, if the Government bought the land and built the plants let them run them, or buy the packers' plant and then let them run them, and should you let the packers start again, in 10

years the Government will be dried up and the packers will be ahead again. That is the way I look at it. It is proposed to condemn property. Well, if it is really necessary to condemn property, why I suppose it will have to be done, but I would like to have them show a reason why they should condemn property.

They are going to appoint employees—and that reminds me of the stockyards. You take the Government and try to run a stockyard, and they are only interested in one thing; they are interested in making a showing in the stockyards. The packers are interested in making a fair showing in the stockyards, but their big interest is to bring the cattle in there, to bring the hogs in there, so that they can have a volume for their business; and for that reason I would rather be interested twice over in a stockyards business where the packers are interested than a private business owned by a dozen or two of us that were not in the packing business.

Now, as to making tariffs, I think the Interstate Commerce Commission are A No. 1 in making tariffs, and I think they ought to continue.

It is proposed to form a corporation of \$500,000,000. In case the Government runs it and doesn't make any money, they are going to take out of that \$500,000,000 and give them enough money to make it up. If we are competing with them and don't make any money, we won't get any of the \$500,000,000.

And in regard to the cars for the big packers, the refrigerator cars for shipping the goods, and also the live-stock cars, the railroads never have, and won't for some time, furnish enough cars. The big packers were all forced into it in order to take care of their business. Now if you leave that to the railroads, the big packers won't have enough, the little packers won't have enough, and we will all be short. It will stop our business; it will curtail our business and we will all be hurt.

Now, I guess that is fast enough and all I have got to say. That is just the way I feel about it. I feel that we should not be regulated any more than other business. I think we are on the square, doing a fair business and not doing anything but what is right, and I am one of the little fellows.

Mr. SWEET. You are located at Detroit?

Mr. CRAIG. At Detroit, Mich.; yes, sir.

Mr. SWEET. And how many years did you spend in the packing business before you went to Detroit?

Mr. CRAIG. I was born in Detroit, and lived there all my life, except two years when I—when we dried up in Detroit on account of Mr. Parker not pushing the business, and then I came back to Detroit and the business was pretty near played out when I went there, and it was through my own efforts that we have got it going to where it is.

Mr. SWEET. Well, you were connected for a while with Swift & Co.?

Mr. CRAIG. No; I want to tell you that I was out of a job, and I told Mr. Parker, "You have got a salesman and you have got me in the office; you can fill my place but you can't fill the salesman's place. Rather than compete with you I will go away and get a job." And I wrote to Swift & Co., and Armour, and I got a telegram from Swift to come over there. They wanted to know

whether I would go to South America, North America, or any place, and I said, "If I hire with you I will." I went down to Armour's place, and a fellow named Craig down there introduced me to the old gentleman Cudahy. I told him what I was doing, and he said: "Would you like to go to Omaha?" When I left home I told them I would be back in three days. I said, "Yes." He said, "When will you go?" and I said "I will go whenever you want me." He gave me a ticket to Omaha and I never went back to that house for seven years. I went down there to work and I wasn't getting enough, so that I could afford to run back, and I worked there for two years until I went back to Detroit, and I have worked there ever since.

Mr. SWEET. Now you feel that if this bill were enacted into law it would injure your business?

Mr. CRAIG. It would injure everybody in the pork-packing business. It would hurt the general public instead of benefiting it, and as far as the raiser is concerned, it would hurt him. It takes all the initiative out of the business, and you take the initiative out of the business and none of us will grow, and we will soon go backward instead of forward. That is the way I feel about it.

Mr. SWEET. Well, do you feel that it would have a tendency to cause the present packers to go out of business?

Mr. CRAIG. I think it would, and the little packers—all of us—it would hurt us all. We would say: "Here, you run the packing plant—we wouldn't give it the attention; we wouldn't take the interest; we wouldn't make the savings that we are making now, and I know it, and I think most any business man knows it."

Mr. SWEET. Now I asked that question for the purpose of bringing out this thought, which was suggested by you, and that was you said, as I understood, that temporarily it would drive them out of business—that is, where they are now located—and if the Government established packing plants, the Government packing plants would be in competition with the private plants.

Mr. CRAIG. I think it would. I think so.

Mr. SWEET. And you feel, too, that that would be unfair competition, do you?

Mr. CRAIG. I think that would be certainly unfair competition for the Government to start in any business where private people are running the same line of business. There is no question but what it would be unfair.

Mr. SWEET. Your thought, then, would be that if the Government does take hold of these plants in any way, for the purpose of operating them or licensing them, that it should take over the whole business?

Mr. CRAIG. Yes, sir.

Mr. SWEET. And pay reasonable remuneration for the plants?

Mr. CRAIG. That would be the only way to do it, and then I think it would work the wrong way, just the opposite from the way you think it will work. That is the way I feel. I will give you a little incident. About ten or twelve or fifteen years ago somebody came from Washington to our plant and said, "Are the big packers hurting you? Could you do better if they were not here?" I said, "If you mean to eliminate them out of Detroit will it give us the Detroit market, and will it suit us, I will say we would probably

make more money, but we don't want that. There is only one thing we ask of you." "What is that?" "That the United States sees that we get just as good rates and just as good facilities from the railroads as the other people do, and if we can't take care of ourselves we will go out of business." And that is the only request I have ever made from the United States Government, and I only made it because they came there. They were investigating the big packers at that time. I think you have got the wrong impression about the big packers. I wouldn't come down here if I did not feel just the way I do. I don't care about coming down here, but I feel that I am telling the truth and that you would take it more from me than from somebody else that is affiliated with them.

Mr. SWEET. You feel, then, that at the present time the rights of the independent packers are not being infringed upon by the large packers?

Mr. CRAIG. Not one particle.

Mr. SWEET. You also feel that on account of the great organization of the packers and the general facilities that they have for the distribution of products, that the consumer is benefited?

Mr. CRAIG. I do, and also the producer. I feel that it is a great big thing, all through, for the industry to have these large concerns, in order to stimulate production, in order to deliver to the consumer as cheaply as they can. Of course, just now, in this war, with these 17½ cent prices, we don't like it any better than you do, and the packers don't like it. They did all they could to stop it, but as long as we have started, right in the middle of the season, for heaven's sake don't try to spoil things. That is the way it looks to me, but I am willing to go on your judgment.

Mr. SWEET. Where do you sell most of your products?

Mr. CRAIG. We have a nice trade through New York State and through the New England States; a good trade in Liverpool—when we are allowed to ship—we can't ship any there now; we have a nice trade in Michigan; we have a nice city trade all over. We don't do a great deal in European markets. Occasionally we sell to a little neutral over there, but they haven't been buying much in those countries.

Mr. SWEET. Do you have any stores or anything of that kind in Detroit, where you distribute your products?

Mr. CRAIG. We have some retail stores, where we get rid of our odds and ends, a couple of retail stores that were started 20 years ago. We have never started any more. Then we have got a western wholesale market and an eastern wholesale market, all right in Detroit.

Mr. SWEET. Now the prices that you ask at the retail stores in Detroit are about the same as the prices for which you sell your products in other markets?

Mr. CRAIG. The prices that we ask to the butchers in Detroit, the jobbers in Detroit, are on the same basis as we sell to the other markets.

Mr. SWEET. Right in that connection, how much more do the retail merchants or butchers in Detroit ask for their products to the consumer over and above the price for which you sell your products there?

Mr. CRAIG. Well, it is hard work for me to tell. I don't handle that part of the work. Our retail prices compare with the rest of the retail prices, as near as we can get at it, and sometimes when stuff goes up, the retailer can't get it up fast enough. When it goes down the retailers hang on to that top price a little longer than they ought to, but one offsets the other. You might say, "Now here, they are buying these pork loins at five cents a pound less, and they ought to drop their price." But when they went up they couldn't get it up fast enough, so you have got to take both ends into consideration before you say a man is overcharging; and I know that in the retail business there are lots of retail stores that have hard work to get out even, and you have got to watch it pretty close, and get the right kind of a manager or you don't make a great deal.

Mr. SWEET. Now take into consideration the price that is paid the producer—

Mr. CRAIG (interposing). That is, you mean the farmer?

Mr. SWEET. The farmer, on the market, by the packers—

Mr. CRAIG (interposing). No; the packers don't buy from the farmer; the drover goes in and buys from the farmer, and the drover gets a profit. The drover comes in and gives it to the commission man, and we buy it from the third man.

Mr. SWEET. What I am getting at is this; You take the price that is paid the producer—the farmer—

Mr. CRAIG (interposing). Well, we will say 16 cents.

Mr. SWEET (continuing). And the price the consumer finally pays, and do you think there is too much difference between those two prices—too much consumed in commissions and in service and all that?

Mr. CRAIG. Well, I know the packers haven't gotten any more than they are entitled to, and I don't think the retailer gets any more, and I think it is pretty near, as nearly equitable as you can make it. You don't hear of anybody getting very rich very fast. There may be times when they are not in line and when they are out of line, but take the whole thing and they are not a great deal out of line.

Mr. SWEET. Well, you are very well satisfied with present conditions?

Mr. CRAIG. Not exactly, as our profits this last year under Government regulation will be several per cent less than they were the two years before.

Mr. SWEET. Well, go back several years.

Mr. CRAIG. But under war conditions I am fairly satisfied.

Mr. SWEET. To be perfectly fair, go back to the conditions before the war. You were satisfied with those conditions?

Mr. CRAIG. Yes. Some years we were and some years we thought things were not so good, but taken as a whole through 10 years we were satisfied—just fairly satisfied.

Mr. SWEET. In other words, you do not feel that it was necessary for the Government to step in here and regulate the packing business?

Mr. CRAIG. My idea is that there are no wrongs that they can right, and in regulating it we will be worse off than we were if they leave it as it is. That is exactly how I feel.

Mr. SWEET. I think that is all I have.

Mr. WINSLOW. I want to ask you if you could tell me what is regarded as about the amount of profit that a retailer in the meat

business ought to make in order to carry himself nicely and make a decent profit?

Mr. CRAIG. Well, I never was in the retail business, but I can explain a few things about it. For instance, you get in a pork loin and you cut off a little piece off the end—you have to sell that cheap—and you cut a little piece off of the other end, and there is a little shrinkage, and you don't sell it all the same day. Now, if you take it right in the center and get the choicest cut, you have got to get 5 or 10 cents a pound profit on that, and then you have got to sell this other at a little loss; and then there is the rent, and the refrigeration and the delivery and everything else. Some years I have felt that I don't know how the butcher gets along, and there are some years that quite a number of butchers fail and go out of business, and it does look wrong. Now you take our Honey Bacon, \$1.15 a pound. We don't get over 10 per cent of our stuff that will go into Honey Bacon. You have to cut a piece off here and a piece off of the other end, and you have to trim that off, and it is a good deal of work to get it. And now you take something like a pork tenderloin, if you pay 50 cents for a pork tenderloin it is solid meat and cheaper than 20 cents for sirloin steak, but half of the people don't know that. I don't think they are getting any too big profits.

Mr. WINSLOW. I didn't mean to lead you into that line of discussion. Most every line of trade has long since worked out a table so that they can say: The wholesaler in that line of trade ought to make so much; he ought to expect to have 15 per cent for doing business, and he ought to have 20 per cent or $17\frac{1}{2}$ per cent profit in order to live.

Mr. CRAIG. Yes, sir.

Mr. WINSLOW. And the retailer $33\frac{1}{3}$ or 40 or 50 per cent, according to the nature of his business. I presume statistics would show about what a fair percentage of profit would be in the retail meat business.

Mr. CRAIG. It ought to, and I suppose we ought to know, but we have never had those statistics, and a retail meat man is rather a crude merchant and he never thinks about it. Some of them only count up their cash at night to see how much they are making, and it is rather a crude business, as you can understand. The big packers may get it, but we haven't worked it out and I haven't any means of knowing anything about it.

Mr. WINSLOW. Don't the big markets carry an expense account in their meat department, just the same as a department store would in the toy department?

Mr. CRAIG. I don't know; but I want to tell you, we have a wholesale branch and we charge the meat to them and they don't get hardly any shrinkage. They sell it all the same day and we allow them 3 per cent for handling it, and at the end of the week they are in the hole, and they can't get out.

Mr. WINSLOW. Well, couldn't you, after a number of years of business, pretty nearly tell what the average per annum ought to be for that counter in that week?

Mr. CRAIG. I haven't any idea at all, any more than you have.

Mr. WINSLOW. I don't see how you can do business at all if you don't know what your waste is going to average.

Mr. CRAIG. What is that?

Mr. WINSLOW. How can you do business like a business man at all if you don't know what your item of waste is likely to average?

Mr. CRAIG. We have a manager in the retail department, and we let him buy the stuff. He buys some from us, some from anybody—buys it wherever he wants to, and he puts his own prices on it, and we keep track of whether the business is paying or whether it is not paying.

Mr. WINSLOW. How does he put his price on? What is his basis of reasoning?

Mr. CRAIG. I can't tell you just how he does figure it. I know he has to figure it pretty closely.

Mr. WINSLOW. Is there any method about it all all?

Mr. CRAIG. We haven't any mathematical method. I don't happen to know if he has any method—he may have a method of doing it. He may cut a quarter and try to see how it comes out and get what price he puts on the other. It depends on conditions. If they are long on rounds, he has to put a low price on rounds and higher price on the other, and it changes so often that it is hard work to get any formula that you can go by.

Mr. PARKER of New Jersey. During the year don't your manager report to you what he has paid for meat during the year and what he sold the meat for?

Mr. CRAIG. Yes, sir.

Mr. PARKER of New Jersey. You have not cost system of gross sales so that you will know what the purchases and sales are? Don't you know what the gross purchases are?

Mr. CRAIG. We can find out what the gross sales and gross purchases are.

Mr. PARKER of New Jersey. Don't you have a report of that?

Mr. CRAIG. Yes.

Mr. PARKER of New Jersey. Did you, for instance, know the difference between gross purchases and gross sales last year?

Mr. CRAIG. I haven't any idea.

Mr. PARKER of New Jersey. Can you put that in your evidence?

Mr. CRAIG. I haven't any idea what it is; no, sir. I don't take care of that part of the business.

Mr. PARKER of New Jersey. All right, I didn't mean to interrupt you.

Mr. CRAIG. If I did, I would be very glad to give you any information I have, sir.

Mr. WINSLOW. We have up in the country where I live a type of business man who they say does business by guess and by gosh, and I am trying to find out if that is the way the meat business is being done in the country.

Mr. CRAIG. Not all of it, but there is a portion of it that you have to guess at some, I can tell you. It keeps you guessing, too. I know that a lot of these packers do. I have been two or three times all shot to pieces, and I have seen lots bigger men than I out there off for a rest say, "Well, I hope things will change, and I think next month things will be better." We have a pretty serious time and it is a pretty hard business at times and the returns are very meagre, as a general thing, considering what we go through. I have been knocked out more than once in this business myself.

Mr. WINSLOW. But suppose, for instance, we have a holiday on a Friday, and Saturday is the Fourth of July, and Sunday is Sunday, and the market is closed up for three days. Monday morning the retailer goes to the wholesaler to buy lamb, and we will say in Washington 100 retailers go through the same thing, and they buy, say, lamb for a certain amount per pound, which testimony shows would be pretty much the same from all wholesalers.

Mr. CRAIG. It would have to be.

Mr. WINSLOW. Now just let me finish. I am going to give you a chance in a moment. Now when those retailers go back to their respective stores, the chances are that you won't find a difference of a cent a pound between those stores on lamb of the same grade. How do they arrive at that accuracy of conclusion as to making prices on that lamb, if they don't have some sense as to whether they put on 5, 10, or 20 per cent?

Mr. CRAIG. I imagine that the manager of the retail store has a profit that he puts on these different cuts. But as far as the management of our store is concerned, comparing prices with any other stores, we don't do it.

Mr. WINSLOW. I am not trying to draw you into anything like that. I know what the competition process is, but I am trying to find out whether there is any scientific method in working up to the price the consumer pays for his meat. If there is not, we ought, in addition to sending out these Government agents to teach the fellows how to raise cattle; we have got to send some out to teach the retailer how to make prices on his goods.

Mr. CRAIG. I think maybe that would be a good idea, and we would welcome anything like that, any new device or anything that we can learn we are glad to put it in. We don't know it all and are very glad to learn. I can tell you that much.

Mr. WINSLOW. But your testimony, as I get it, is that the retail man has no method whatever, as a class, in respect to putting prices on his goods?

Mr. CRAIG. I didn't say that; I told you I was not in the retail business and I didn't know how it was handled, but that it varied according to the demand for different cuts. Now, you take it in Detroit there, a lot of the Jewish butchers will have a whole lot of hinds, and when they have a whole lot of hinds we can sell you something that looks awfully cheap, but when they don't have it you have to pay 5 or 10 cents a pound more for it.

Mr. WINSLOW. Does the packer, in the slaughtering of an animal, have a table of prices on which he undertakes to put up about how much profit he makes?

Mr. CRAIG. You mean on the retail business?

Mr. WINSLOW. No; that he sells to the jobber.

Mr. CRAIG. We figure up the cost of these cattle and put a price on it accordingly.

Mr. WINSLOW. On every animal?

Mr. CRAIG. Well, if we have got a figure—we don't do a very big beef business. Our beef business is small, not over three hundred a week. In the pork business we kill 15,000 a week. Our business is a pork business, and in that you can come pretty near telling. You can go down to your market here and find out how much your pork loins are selling by the wholesale, probably 32 cents, and you can find

out what you pay for pork chops, and you can tell what profit they are making just as well as I can.

Mr. WINSLOW. But why do you say the packer establishes a price of 32 cents?

Mr. CRAIG. For pork loins?

Mr. WINSLOW. For anything. I don't care what it is.

Mr. CRAIG. We find out what the hog yields, and we know what the hogs cost us, and we have to take them—we take the market prices if we want to find out what one thing is, and we put the market prices on it—that is the way we have to do—and if there is a loss in these hogs we say, "Here, we have got to get a little more for these fresh loins, or get a little more for these fresh hams, or get a little more for the other cuts, because we are losing money." And lots of times we do lose money.

Mr. WINSLOW. Do you have no scientific method of adding 3 per cent to this part and 10 per cent for another and 10 per cent for another?

Mr. CRAIG. No, sir.

Mr. WINSLOW. It is all a matter of the wit of the fellow who prices every article?

Mr. CRAIG. No; it is a matter of the conditions, of the demand. Now if there is a good demand for stuff and we haven't got enough, and there is a loss in these hogs, in killing them, we put on all they will stand on the difference to bring back the loss; if there is a nice profit, then we take off a little.

Mr. WINSLOW. Then there is no percentage proposition going into the packing business?

Mr. CRAIG. Not with ours. I don't know what the big packers do, but with the little fellows, we don't have it, and in fact if we did have it, we would have to find out what the rest of them were doing; what the other markets were doing.

Mr. WINSLOW. Now, as to getting costs, if you get a sparerib roast, if you are dealing in those, you must have an idea of the cost per pound?

Mr. CRAIG. That is the retail end of it.

Mr. WINSLOW. No, I mean wholesale.

Mr. CRAIG. Well, we are not—that would be a loin of pork with us.

Mr. WINSLOW. Well, take any part at all; take a ham, for instance, you must have a rule that shows you how much you have to get out of the ham?

Mr. CRAIG. No; it depends on what you can get for the other stuff and what the ham costs. You have got to take all those 10 or 12 or 15 different things into consideration before you can tell what any one costs.

Mr. WINSLOW. When do you ever know what anything costs?

Mr. CRAIG. We know the dressed hog costs us 24 cents a pound, and we know we have got to sell that—

Mr. WINSLOW (interposing). How do you know that?

Mr. CRAIG. Because we know what it costs alive, what it has shrunk, and the labor in getting it, and the cost is 24 cents a pound, and you add enough then for administration, and you know it cost so much more. You know those cuts there will yield you so much, and you can get the market prices and put them on and extend them and see whether you are getting out even or whether you are not getting out

even. We are all in the same boat, and if we are losing money we will try to get a little higher price on the other, so we can make a little profit.

Mr. WINSLOW. But there is no method in it?

Mr. CRAIG. We haven't any method. I don't know how you are going to get any method.

Mr. WINSLOW. Of course, the cost price is a definite thing.

Mr. CRAIG. Yes.

Mr. WINSLOW. And the selling price is the result of competition? That has no reference to cost at all?

Mr. CRAIG. Generally, yes. Just now it is made by the Government, and the selling price is made by the Government. Just now we have nothing to say, and if they will give us a little margin we will say "Thank you," and all we want them to do is to continue this until they stop at an equitable point for all of us. That is all we want.

Mr. WINSLOW. Now, then, here comes Swift & Co. with an advertisement here in this paper the other day, telling how many million pounds of pork they have cut out, and their earnings are less than half a cent a pound.

Mr. CRAIG. Yes.

Mr. WINSLOW. If they didn't know what that cost them they couldn't say that. They couldn't say within half a cent with definiteness.

Mr. CRAIG. They go ahead and do the business, and at the end of the business they know they have paid so much for all the pork, and they have made so many pounds, and they divide the profit by the number of pounds, and that gives us the half cent. That is the way they arrive at it.

Mr. WINSLOW. Is that your idea of the way they do it?

Mr. CRAIG. That is the way I just figure they do it. That is the way we would figure profits. If we kill 100,000 hogs and made so much money, we would figure it so much a hog. They may do it that way, or they may do it some other way.

Mr. WINSLOW. You have got a mighty lucky business if you can work it these days on that plan.

Mr. CRAIG. I hope it is lucky.

Mr. WINSLOW. I hope so, too.

Mr. CRAIG. But we have lots to contend with.

STATEMENT OF MR. RALPH W. DECKER, OF JACOB E. DECKER & SONS, MASON CITY, IOWA.

Mr. DECKER. I represent Jacob E. Decker & Sons, Mason City, Iowa, pork packers. I am opposed to this bill, and opposed to any legislation that has for its object the control of the meat packing industry. I also hold in disfavor the continual agitation against the meat-packing industry, because I don't think it does it any good.

I can't see where the big packers have ever done the small packers any harm. We started in business in Mason City about 19 years ago with a capacity of 10 hogs a day, and have developed our business in this 19 years up to 2,500 hogs a day, and I don't feel that our profits have been excessive during that period. They have probably averaged around 3 per cent on the turn-over. And I never

have felt that the big packers have ever tried to squeeze us out or do us any harm in any way. There has been so much said here this afternoon by the independent packers that that is all I have got to say.

The CHAIRMAN. We are very much obliged to you. If Mr. Nash is here, we will hear him.

Mr. DECKER. I would like to add a little to what I said; that is, that none of the large packers own any of our stock nor have anything to say about our business. I also believe that the railroads should furnish the small packers their refrigerator cars, because a packer as small as we are can not afford to own them.

Mr. WINSLOW. That is to say, you favor having the railroads take care of those who are not able to take care of themselves?

Mr. DECKER. Yes, sir.

Mr. WINSLOW. But you feel, on the other hand, that those who are able to take care of themselves and wish to do it, ought to be allowed to do it?

Mr. DECKER. Yes, sir.

STATEMENT OF MR. SAMUEL T. NASH, PRESIDENT OF THE CLEVELAND PROVISION CO.

Mr. NASH. I am president of the Cleveland Provision Co., a company that has been in existence 50 years in Cleveland. My father bought an interest in there about 25 years ago, and our family now controls the business. Ninety-five per cent of the stock is in our family. We are absolutely independent packers, having no connection whatever with any other of the big packers, or any other packers whatever.

I am opposed to this bill in its various features. I think the putting of the stockyards under railroad control would be bad. We would not get the service that we do under the way the stockyards are run now, and I think taking away the marketing and refrigerating cars from the big packers and other packers that own them would be a bad thing, because of the necessity of strict supervision of these cars, and the condition they are required to be kept in. I don't believe it could be done under railroad control or administration. I don't believe the public would be served well, and I don't think the packers could get along at all under that method.

We own about 100 refrigerator cars of our own, and we have owned about 150 or 200 stock cars. We don't own those any more. We used to buy largely, 70 or 75 per cent of our stock outside of Cleveland. Now we buy 50 to 60 per cent of our hogs in Cleveland and about 30-40 per cent of our cattle so that as the stock cars grew old we abandoned them, scrapped them. We just own about 100 to 125 refrigerator and beef cars. We operate 15 or 20 peddler-car routes out of Cleveland, and 4 or 5 branch houses around Ohio.

This last year we did a volume of business of about a \$28,000,000 turn over. Last year about \$15,000,000 or \$16,000,000, and the year before that about \$12,000,000. Of course the turn over this year was large because of the very high price we paid for live stock.

I don't know that there is anything else I want to state. Our profits this year and other years has always been moderate. We

have never paid over 8 per cent dividends in our life. We paid 8 per cent this year. Anything in excess of that has gone back into the business.

Mr. WINSLOW. I would like to ask you one question. Would it be fair for us to assume, on the strength of what you have said, that you think the private ownership of cars would tend ultimately to the cleanliness of the product when delivered, in that through private cars you can always tell who is responsible for the condition of the meats; whereas, if you had general public cars running under the Government there would be always an altercation between the shipper and the Government as to who was responsible for unclean products?

Mr. NASH. I think that is true, sir. And not only the cleanliness of the cars, but the upkeep of the cars is also very important. There would be a great deal of spoilage, in my opinion, with railroad-owned cars because of the fact that they would not always be kept up. The ice-boxes and the insulation and all those things which we have to watch very carefully our experience with cars that we get from railroads is that they are very often in bad shape, and lots of times we have had serious losses.

I would be very glad to answer questions, and I am glad that you are willing to ask them.

STATEMENT OF MR. FRED BEGGS, OF JACKSONVILLE, ILL.

Mr. BEGGS. In addition to my own interest, I want to say that I also represent Mr. Powers, of the Home Packing Co, Terre Haute, Ind.

We operate two independent packing plants, killing hogs. Our cattle business is very limited, and practically all of our supplies are bought locally, although we do go on the market, and at any market where the price looks more favorable, and so far we have never felt any ill effects from the big packers in the way of competition, for the reason, if one market did not suit us we would go to another. We are not familiar with all the details of the proposed bill, but we feel that we would rather go along and take our chances, as it was in the pre-war period, rather than be licensed. Now some speakers before me have brought up the subject of the big packers being unjust competition. We have been in business about 13 years, and to my personal knowledge I have found them a good deal better competition than a lot of smaller ones, for the reason that they are better posted on the market. They have obligations to meet and are obliged to make a profit in order to take care of their dividends.

Mr. WINSLOW. Would it be possible, and quite probable, that the line of producers, under competition, would do their utmost to send out a fine product, and likely find their efforts amounting to nothing by virtue of the injury which would come to their product through bad transportation?

Dr. NASH. Yes, that is very likely.

Mr. WINSLOW. I will put that another way. Doesn't the matter of transportation become a matter of real competition between producers?

Mr. NASH. Yes, sir.

Mr. WINSLOW. (presiding). Now who is the next gentleman who would like to be heard?

Mr. BEGGS. Regarding cars, we have been using in the past year more cars than in ordinary times. Swift & Co. have a branch there in which they use a good many cars in shipping butter, poultry—that is all I think they ship out. And I know of several instances where the railroad has been unable to furnish cars just at the time we wanted them, but through Swift & Co. we were able to get a car right at the time we needed it. So personally I find them an asset rather than a detriment to the privately owned lines. That is about all I have to say.

Mr. WINSLOW. What led you to come to this hearing?

Mr. BEGGS. I was notified that there was to be a meeting here, and I just wanted to get more information as to the license system.

Mr. WINSLOW. Well, by whom were you notified?

Mr. BEGGS. I was notified by a Mr. Powers, of Terre Haute.

Mr. WINSLOW. By any association?

Mr. BEGGS. Well, no; not by the association, although we belong to it. I presume he was, but he was not able to come and asked me to come.

Mr. WINSLOW. Do you know of any pool of any association of the packers which has been taken at any time in respect to this bill?

Mr. BEGGS. No, sir.

STATEMENT OF MR. P. W. GOEBEL, DIRECTOR OF THE KANSAS CITY STOCKYARDS, KANSAS CITY, MO.

Mr. GOEBEL. I am a director of the Kansas City stockyards, the stockyards company of Kansas City.

Mr. WINSLOW. You were represented here the other day by either your president or vice president?

Mr. GOEBEL. Perhaps so.

Mr. WINSLOW. Well, somebody was here from Kansas City.

Mr. GOEBEL. I think perhaps that was the president of the Live-stock Exchange. I don't think the Kansas City stockyards company has been represented here.

Mr. WINSLOW. Well, perhaps that is right.

Mr. GOEBEL. I have been a shipper of live stock to the Kansas City stockyards for the last 30 years. I have always been a banker for 37 years in Kansas, and have loaned a very large amount of money on cattle. In that way I have been familiar with the conditions of the live-stock market in Kansas City ever since it has been a market of any size. The stockyards were owned until five years ago by a lot of New England people who were not interested in the packing business at all. We started these yards, I think, perhaps in the seventies, without any packing house being there. It was more of an unloading and feeding station for cattle going to Chicago and St. Louis; but they soon found that stockyards without packing houses would not pay, and they induced, I think, first Armour to come, and later all of the five big packers located there. And still later there were two independent packers located there. Under the ownership of the private parties, not interested in the packing business, the service was not the best. The expenditures for improvements were limited to about \$50,000 a year, and that at times not well expended. There was a good deal of complaint by the shippers, and five years ago the

Morris family acquired quite a large interest in the common stock. I was invited to go on the board of directors—not, however, by the Morris people, but by Mr. Swinney, who is president of the First National Bank of Kansas City—and I told Mr. Swinney that I would go on with the understanding—my sole object in going on that board is to get better facilities for the shippers.

The stockyards are peculiarly located. We have a north side and a south side. Part of the railroads unload on the north side, and stock that was unloaded on the north side had to be driven on an average more than half a mile to the sales pens, which caused a good deal of a shrink, a good deal of delay; and in the winter, especially if icy weather, in driving the hogs of course a good many tripped. The first proposition, when the new management took hold, was to remedy that, to build a tunnel under the railroads so that all the stock would be unloaded as near the sales pens as possible. We had to fight the railroads for two years before we got permission to tunnel in under their tracks, and finally succeeded; and we have got a scheme now complete so that everything is unloaded in the south side and in the immediate neighborhood of the sales pens; and I don't care about going into the function of the stockyards, because my friend from St. Paul went into that this morning, and I would like to simply say that I agree with his findings and his statements in regard to the functions of the stockyards.

The thing that I have been interested in is to have better facilities for the live-stock shipper; better scale facilities, better unloading facilities. For instance, we are now completing a hog house with a sales-floor capacity of 35,000 head of hogs per day, with scales so located that they can be weighed, gotten to the scales, and gotten away in the quickest possible way. The loading chutes for cattle have been improved; viaducts have been built to the cattle pens so we can weigh twice as many, and the improvement made in the five years since the Morris people got control has been very marked indeed. I wish some of the honorable committee would go to Kansas City with me and look the matter over.

The Kansas City stockyards is absolutely an open market. I have sold cattle there, as I say, for 30 years; sold hogs there for 30 years. I have sold cattle there, as I say, for 30 years, and sold hogs there for 30 years. I have been mad enough at the packers to kill them, because I didn't think I was getting enough money for my hogs, but it was the condition of the market. Now in the old days when there was no packer combine—or, at least, when there was no talk of any packer combine, there was a large part of the cattle and hogs in Kansas City were bought by eastern buyers, who shipped them on foot to eastern butchers and eastern bankers. the fluctuations in the price of live stock were very much greater than they are to-day. I have struck the market when it was a dollar a hundred lower than the day before, and once or twice I have struck the market when it was a dollar a hundred higher than it was the day before; just depending on the different shippers; depending on how many different shippers would get into the market. We considered it at that time much more hazardous to loan money on cattle, on account of these terrific fluctuations. One reason why cattle paper to-day is in such demand by banks and other investors, I think likely because of the continuous and steady market that we have for that live stock. And every

man there has a chance to buy and sell his own stock. I have competed myself with the packers in buying feeders. The packers would bid more for a bunch of steers that were pretty fleshy, that I wanted for feeders, than I could possibly pay for them. Fully 40 per cent of the cattle receipts that come to Kansas City are shipped back into the country, and it is the greatest stocker and feeder market in the world. Now it is very important that the stockyards should render efficient service to the tremendous amount of country buying, in order that it be handled efficiently, and it has got to be gotten to the scales quickly and without any great delay. The stockyards company owns the terminal facilities there, and the service is immeasurably better than it used to be when the railroads handled the switching themselves. So it seems to me that it would be shortsighted and not good statesmanship to take away the power or the privilege of owning stockyards, from the people who are perhaps more interested in keeping a good, reliable market, as the packers are. And in my opinion there are only three classes of people who can own an interest in stockyards: The men who produce and raise live stock; the men that purchase live stock continuously, because it is their raw material; or the people who are not interested in the live stock industry in any way. Now the ideal ownership of stockyards, perhaps, would be a large stockholding by the men that produced the cattle, but they are so scattered that it is impossible to get them to make any material investments in stock of stockyards. Another thing, it is not attractive enough as an investment, as a general proposition, for the general public to buy the stock.

Much has been said that the poor producer when he comes to a live-stock market—a stockyard—has got to sell. On the other hand, the packer has got to buy, too, because his investment would not be worth anything unless he could purchase every day a sufficient amount of live stock to keep his packing house employed. A packing house, like any other factory, can not pay when it is only operated at one-half capacity. I have heard very few complaints, very much less complaint, since the Morris people have had an interest in the Kansas City stockyards.

Mr. WINSLOW. What was your capitalization after the reorganization?

Mr. GOEBEL. The same as it was before. It was \$2,500,000 of common stock, and I think it is \$8,000,000 of preferred stock, and \$1,200,000 of debenture bonds.

Mr. WINSLOW. How much surplus did they have at that time, if any?

Mr. GOEBEL. Not any surplus.

Mr. WINSLOW. Is there any now?

Mr. GOEBEL. We have placed every dollar of surplus earnings back into the property.

Mr. WINSLOW. Did you charge off expenses, or have a surplus?

Mr. GOEBEL. We have charged off the expense.

Mr. WINSLOW. You have not accumulated a surplus simply as a matter of bookkeeping?

Mr. GOEBEL. It is really a surplus. The first two years under the new management we did not pay any dividend on the common stock.

Mr. WINSLOW. How much have you been paying since then?

Mr. GOEBEL. Five per cent on both common and preferred stocks; and 6 per cent on the debenture bonds.

Mr. WINSLOW. What is the relation between your valuation, your real assets, and the paid-in capital and debentures?

Mr. GOEBEL. Well, that is hard to say, because there is a certain going value that you would have to take into consideration. Of course if you undertook to sell the property for other purposes besides stockyards purposes, you would have to sell it perhaps to the railroads.

Mr. WINSLOW. Well, you are entitled to consider it as a going business.

Mr. GOEBEL. I think the physical value of the property is fully as much as its capitalization.

Mr. WINSLOW. How much of that capitalization was paid in?

Mr. GOEBEL. Well, I really couldn't tell you that because that goes back to when I wasn't interested, but I would say perhaps 75 per cent of it.

Mr. WINSLOW. Is that the one the Thayer family had?

Mr. GOEBEL. Yes, sir; the Thayer family still has a large part of the preferred stock and some of the common stock.

Mr. WINSLOW. That would be about 10 per cent you are paying on the paid-in capital, I mean you are earning?

Mr. GOEBEL. Yes, but let me say—

Mr. WINSLOW (interposing). That you are paying a dividend on?

Mr. GOEBEL. We are paying a dividend of 5 per cent.

Mr. WINSLOW. But I mean on the whole capital, the water and all.

Mr. GOEBEL. Yes. Of course, I don't think there is any water in it—

Mr. WINSLOW (interposing). There was at one time.

Mr. GOEBEL. Because the property has increased in value. The land has raised in value in that vicinity, and there is a good deal of tangible value, in fact there is actual tangible value for every dollar of capitalization.

Mr. WINSLOW. Water is just the same, for it is there, but we don't care about that. As organized now, you practically have value for every dollar of your capitalization?

Mr. GOEBEL. Yes, sir; we have put in about \$300,000 a year for the last five years in improvements. And in this connection I want to call attention, if you will permit me for just a minute, to show what it means when you have an active management that is interested in keeping the yards going. We had one of the most disastrous stockyard fires on October 7, 1917, in the history of the country. Every particle of our hog house burned down. Thirty-five acres of our cattle pens were burned and destroyed, and it came in October, our very busiest season. The fire was not nearly extinguished when the executive committee got together and instructed the manager to go ahead and build—rebuild—regardless of cost. Inside of a week we were able to handle 10,000 hogs a day and take care of 15,000 cattle a day. Now if you had had a management that wanted to figure on the price of things, that was not absolutely interested in having the thing going right away, why you would probably have been two or three months before producers would have found a market ready for their cattle again. It took us longer

to burn the carcasses and get rid of them than it did to rebuild the pens.

Mr. WINSLOW. What part of that business does the Morris family own?

Mr. GOEBEL. Why, I understand they own, they and their friends, between 45 per cent and 48 per cent of the common stock.

Mr. WINSLOW. Does that take in other big packing interests?

Mr. GOEBEL. No; they own it as individuals. Morris & Co. do not—

Mr. WINSLOW (interposing). Are other individuals interested in the big packing houses in it there?

Mr. GOEBEL. No, sir.

Mr. WINSLOW. Do you have any big salaries?

Mr. GOEBEL. We have one salary of \$15,000, that of the manager.

Mr. WINSLOW. You do business of how much a year?

Mr. GOEBEL. I beg pardon.

Mr. WINSLOW. Your receipts are how much a year?

Mr. GOEBEL. Last year we had 3,384,000 hogs. We had something over 3,000,000 cattle, including calves. I have forgotten, but I think something over 2,500,000 sheep, and between 500,000 and 600,000 horses and mules.

Mr. WINSLOW. Does that big salary go to the representative of the Morris interests?

Mr. GOEBEL. No; he is the manager.

Mr. WINSLOW. Well, I don't care anything about that.

Mr. GOEBEL. He has nothing whatever to do with the Morris interests.

Mr. WINSLOW (in the chair). Is there some other gentlemen here who would like to be heard?

Mr. EDMANDS. I am here from the Cincinnati Union Stock Yards and would like to be heard.

Mr. WINSLOW. Give your name to the stenographer:

STATEMENT OF MR. F. B. EDMANDS, TREASURER AND GENERAL MANAGER OF THE CINCINNATI UNION STOCKYARDS CO., CINCINNATI, OHIO.

Mr. WINSLOW. You may proceed with your statement.

Mr. EDMANDS. Our yard is what is commonly known as one of the smaller yards. Its capital is \$1,750,000, all common stock and no bonds. We have 296 shareholders, the most of whom live in Cincinnati. The company owns 65 acres in one tract, inside the city of Cincinnati, and about 25 acres of which is in daily use. Practically the entire yard is under cover and the whole yard is paved. The structures are frame, steel, and concrete.

The Cincinnati Union Stock Yard Co. operate a public stockyard, whose business it is to furnish adequate facilities, such as unloading platforms, chutes, pens, sorting alleys, scales, running water, feed, etc., for the handling of live stock while being marketed. The functions of a stockyard are as follows: The railroad company places a car at the platform, the car door is opened by a stockyard company employee and the stock is driven from the car into the unloading

chute by him. The stock is counted from the chute by a stockyard company checking clerk, accurate record being kept of same and delivered to the sales pens by stockyard company employees. At this point delivery is made to the consignee, the stock yard company, with the exception of feeding, not again handling them until they are placed on the scale for weighing.

The scales are maintained and operated by the stockyard company. The stock is counted off the scales and driven to holding pens, where it is cared and accounted for by the stockyard company awaiting disposition of the buyer. If it is ordered shipped out, the company delivers it to the loading chutes and loads it into the cars. Accurate record as to inbound count, scale count and outturn count are kept by the stockyard company, they being responsible for any loss or mix up while in their charge.

The stockyard company do not buy or sell any live stock except an occasional horse for their own use. Neither do they directly or indirectly control any buying or selling. There are 15 commission firms receiving consignments for sale at Cincinnati Union Stock Yards. Each of these firms maintain an organization for caring for and selling the different classes of stock. After the stockyard company has delivered a consignment to the sales pens, the commission firms order the amount of feed wanted from the stockyard company and when the stock is ready for sale the commission salesmen take the buyers to their pens and there trade upon same, much the same as any other merchant would sell his goods, both the seller and the buyer driving the best bargain possible. Sometimes the consignment is sold straight, at other times the shipment is sorted as to grades. When sold the commission man delivers the stock to the scale, at which point it changes hands and the stockyard company again takes charge of same. The stockyard company are not interested financially or otherwise in any of the commission firms and in no way control the selling price of live stock sold in the stockyard.

There are two classes of buyers, those buying direct for the 40 slaughtering establishments of the city of Cincinnati, 30 of whom have Federal inspection and 10 city inspection and the 3 order buying firms, buying for outside concerns. With the exception of one firm these are small killing establishments not doing much business outside of Cincinnati. The one exception is the Cincinnati Abattoir Co., who killed last year about 150,000 cattle and 500,000 hogs, a large percentage of which was bought on our market. The large packers have no slaughtering establishments in Cincinnati but buy considerable stock on our market through the order buyers. We also have speculators on our market, who buy stock which is suitable for feeders and stockers. These buyers are in active competition with the buyers buying for killing establishments and on orders. The stockyard company does not in any way influence the price paid for the live stock bought at the stockyards.

The stockyard company operates a modern office building, in which are located the offices of the commission firms, telegraph companies, and post office. They also operate and maintain a first-class hotel for the convenience of the live-stock shippers. The stockyard

company derive their income from yardage, loading, unloading, and weighing cars, sale of feed and bedding, and renting offices.

At the Cincinnati Union Stock Yards there are 15 commission firms doing a commission business. They handle stock on consignment for country shippers, and the stockyards company does not in any way have any control over the sale of the stock. As I have said, there are in Cincinnati about 40 small packing concerns, and these small packers have their buyers on the market every day, in active competition. There is no big packer located at Cincinnati. When I say big packer I mean of the five about whom you speak at this meeting. But they buy more or less stock in our market in competition with the smaller buyer when our prices get to a place where they think they can come there and buy and ship to their slaughterhouses and still make a profit.

The stockyards company has no interest in these small packers; it has nothing whatever to do with what they buy or what the commission man sells. It must be borne in mind that these packers have to buy their stock either at our market or at some other market in order to keep going.

Last year we handled at the Cincinnati Union Stock Yards about 350,000 cattle, 1,500,000 hogs, 275,000 sheep, and 18,000 horses and mules, as well as 98,000 calves. The largest packer we have at Cincinnati, as I have said, is the Cincinnati Abattoir Co., and it last year killed 150,000 cattle, 56,000 hogs, and I have forgotten how many sheep they killed, but it was a very small number. These smaller packers of whom I spoke sell the most of their product in Cincinnati. The Cincinnati Abattoir Co. does business all over the country.

I might add that the Cincinnati Union Stock Yards is an open market. A shipper can come in and offer his stock and if he doesn't sell it there is no charge except for the feed furnished to his animals.

Mr. WINSLOW. Do you claim that you can handle that just as well as the railroads could?

Mr. EDMANDS. Yes, sir.

Mr. WINSLOW. And better?

Mr. EDMANDS. Well, I believe so. We believe that the stockyards business is a business of its own. It has been testified here to-day that the principal business of a stockyards company is to handle stock correctly and at the least expense. For instance, the stock that comes into our market in the morning is yarded, fed and sold that day, or the great majority of it is cleaned up every day, and that is the end of it.

Mr. SWEET. Is your company entirely separate and apart from any railroad company?

Mr. EDMANDS. Absolutely.

Mr. SWEET. And have the packers any interest in your company?

Mr. EDMANDS. Not a dollar's worth.

Mr. SWEET. They don't own any stock whatever?

Mr. EDMANDS. No, sir.

Mr. SWEET. How many stockholders have you?

Mr. EDMANDS. Two hundred and ninety-six.

Mr. SWEET. Where do they reside?

Mr. EDMANDS. Principally in Cincinnati.

Mr. SWEET. Have you control of the switching in your yards?

Mr. EDMANDS. No; the switching at the yards is done by the B. & O. road.

Mr. SWEET. You have nothing to do with that?

Mr. EDMANDS. Nothing at all.

Mr. SWEET. Do you have any supervision over it?

Mr. EDMANDS. Yes, sir; in a way. The railroad companies have a yardmaster located at the stockyards and his instructions are to work along with us, and I am glad to say they generally do that way.

Mr. SWEET. You purchase considerable hay, do you not?

Mr. EDMANDS. Yes, sir.

Mr. SWEET. And grain?

Mr. EDMANDS. Yes, sir.

Mr. SWEET. Do you have any fixed price for the hay that you sell there to your customers?

Mr. EDMANDS. Yes, sir.

Mr. SWEET. Do you fix that price with reference to the market, whatever you may obtain?

Mr. EDMANDS. Well, yes, I would say we do. At the present time we are getting \$40 a ton for hay and \$2.25 a bushel for corn. The hay we pay as high as \$35 a ton for, and we are paying about \$30 a ton now. When I left Cincinnati corn was selling at \$1.65 a bushel.

Mr. SWEET. Do you know how much profit you make on hay that you handle there?

Mr. EDMANDS. No; I haven't got those figures.

Mr. SWEET. But you make some profit?

Mr. EDMANDS. Oh, yes. The fact of the matter is the stockyards company could not exist on the profits that it gets out of yardage.

Mr. SWEET. You may state the sources of your profits.

Mr. EDMANDS. From yardage, feeding and bedding, and rent from our exchange building.

Mr. SWEET. What do you charge for yarding?

Mr. EDMANDS. 25 cents for cattle, 8 cents for hogs, 6 cents for sheep, and 15 cents for calves.

Mr. SWEET. Are there any packing companies located right near your yards?

Mr. EDMANDS. The Cincinnati Abattoir Co.

Mr. SWEET. Have Swift & Co., and Armour & Co., and others, any plant there?

Mr. EDMANDS. The big packers have no plant there. There are 40 small plants there.

Mr. SWEET. They are considered independent packers?

Mr. EDMANDS. Yes, sir.

Mr. SWEET. Is there a rendering plant there?

Mr. EDMANDS. There are two rendering plants in Cincinnati, but neither the stockyards company nor the packers have any interest in them.

Mr. SWEET. You have no interest whatever in the rendering plants?

Mr. EDMANDS. No, sir; not at all.

Mr. SWEET. They come to the yard and get the dead cattle and hogs and have them taken to their own plants?

Mr. EDMANDS. They do. First one company will have it and then the other one will have it. It is let by the year on a competitive basis and the price is made for the month. They generally pay about 20 per cent of the price of grease for the dead animals.

Mr. SWEET. Well, there is no one standing between you and the two rendering plants that you have there as to the price you pay?

Mr. EDMANDS. No, sir; in fact, one rendering plant that has it now has had the contract for the last three consecutive years. It bid more than the other concern.

Mr. SWEET. Do the large packing concerns have their buyers in your yards?

Mr. EDMANDS. They buy through the order buyers. We have order buyers at the stockyards who buy for outside concerns.

Mr. SWEET. An order buyer is a commission man or commission firm?

Mr. EDMANDS. It is the commission firm, but instead of selling stock they buy stock. They just turn it around.

Mr. SWEET. And they buy stock there for feeders, do they?

Mr. EDMANDS. Yes, sir.

Mr. SWEET. And those feeders go to the men feeding them, to the farmer?

Mr. EDMANDS. Those buyers of course are in active competition with the packers. There are certain grades of cattle that both can use and the one that bids the most will get them.

Mr. SWEET. The cattle that go through your yards, where do they come from largely?

Mr. EDMANDS. 92 per cent of our cattle are received from within a radius of 150 miles.

Mr. SWEET. Do any come from up in the Mississippi Valley?

Mr. EDMANDS. Very little. They come principally from Ohio, Kentucky, Indiana, Illinois, and Tennessee.

Mr. SWEET. Now, all these packing concerns have their buyers there at your yard?

Mr. EDMANDS. Yes, sir.

Mr. SWEET. Do you know whether the market price at Cincinnati has any reference to the market price for stock at Chicago, and at Indianapolis, and at other places?

Mr. EDMANDS. The present price of hogs is fixed by the hog control committee, but as a general rule I think all markets are based upon Chicago.

Mr. SWEET. You have an open market there?

Mr. EDMANDS. Yes, sir.

Mr. SWEET. Are you opposed to this bill?

Mr. EDMANDS. Yes, sir.

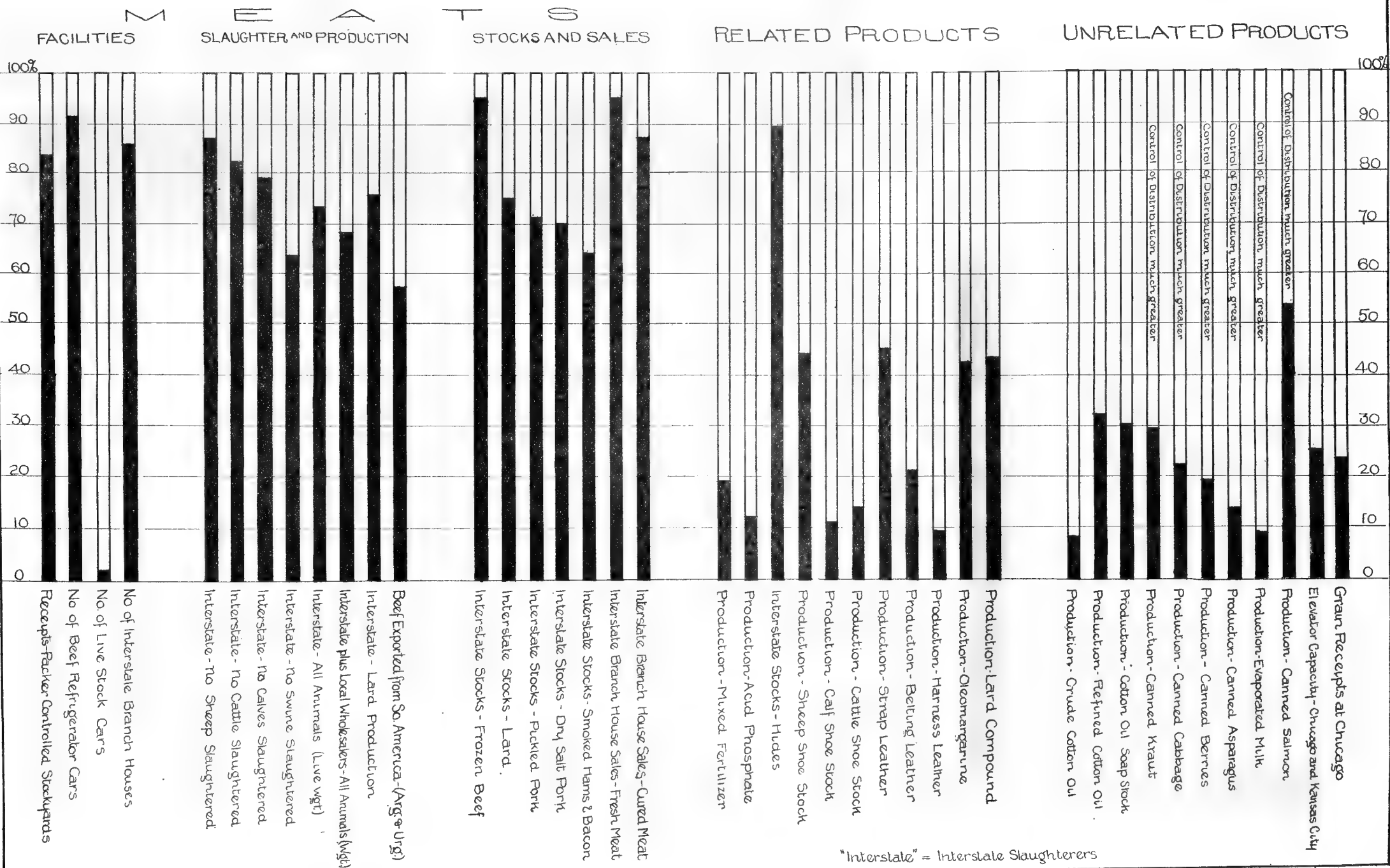
Mr. SWEET. What particular feature of the bill are you opposed to?

Mr. EDMANDS. Well, I do not believe the yards, I means the stockyards, can be run by the Government any better than they are being run by private owners. And we are afraid under the license features of this bill it will be made very drastic, so much so as to put us out of business. There might be such a thing possible.

Mr. SWEET. You feel that after war conditions have passed away and business resumes its former course, that no legislation is necessary here in regard to marketing live stock?

Mr. EDMANDS. I do not believe there is, no, except possibly along the line testified to this morning that probably the Bureau of Markets would be a great help in educating farmers about the grades of stock to raise and all that sort of thing.

PERCENTAGES OF CONTROL HELD BY FIVE CHIEF PACKERS



Mr. SWEET. And for the purpose of not only raising them, but for the purpose of marketing them and delivering them?

Mr. EDMANDS. That is true, yes, sir.

Mr. SWEET. That is all I care to ask.

Mr. WINSLOW. Does anybody else wish to be heard this evening? As I hear no response, I will now declare the hearing as to the independent packers closed.

(And, at 5 o'clock and 45 minutes p. m. the committee adjourned until tomorrow morning at 10.30 o'clock.)

(The following statements, memorials, and telegrams, are inserted as a part of the hearing by direction of the committee:)

STATEMENT MADE BY F. J. HAGENBARTH, OF SPENCER, IDAHO, PRESIDENT OF THE NATIONAL WOOL GROWERS' ASSOCIATION, BEFORE THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE OF THE HOUSE IN REFERENCE TO H. R. 13324, AND BEFORE THE COMMITTEE ON INTERSTATE COMMERCE OF THE SENATE IN REFERENCE TO SENTE BILL 5248.

Mr. HAGENBARTH. These two bills purport "to provide transportation, storage, and marketing facilities for, and to regulate commerce among the States in, live stock, meats and other products derived from live stock." I am opposed to the enactment into law of this bill from a fundamental disbelief in governmental activity in private affairs beyond that degree which expediency or necessity makes imperative. Experience has demonstrated that private initiative, surrounded by proper and natural factors of competition, will bring the greatest results in any given undertaking. The minute that the gates of politics are thrown open and a swarm of politicians settle upon any business enterprise, from that moment on its doom is sealed. No interest can be of necessity as keen in any business as the interest which the owner of that business will feel in it. The old adage "What is every man's business is no man's business" is peculiarly applicable.

Every step which is taken by the Government toward interference or control or operation of private industry is just another step closer to radical socialism. While it is true, as has been urged, that on the one hand the untrammelled activities of large enterprises which have reached almost the proportions of monopolies, and which are sometimes without conscience, will ultimately develop a socialistic spirit if not curbed, yet, on the other hand, it does not signify that socialism will be prevented if the Government itself goes into the business in question, because by this act we have immediately developed socialism itself.

The function of Government is to govern the doing of things, and not the performance by the Government of the thing that is being done. In other words, we govern; we do not do.

It is proposed by this bill to tear apart the present splendid organizations which no one will deny have been efficient, constructive, and great factors in our national development, and immediately after having disorganized these present concerns we propose, through the terms of this bill, to create other corporations which will do identically the same things that the present concerns are now doing.

There can be no hope that greater efficiency will be developed through any governmental agencies for the handling and distribution of fresh meats than are now being accomplished by the packers themselves. On the contrary, we have good reason to believe, judging from past experience in other lines of endeavor, that there must be a great falling down in the effectiveness from an industrial standpoint, through the Government's handling of this business.

There does seem to be, however, a feeling that certain unjust practices have been indulged in by the so-called big packers. This may or may not be true. The Federal Trade Commission is most urgent in its statements and submits what purports to be absolute proofs that the packers have been and are now indulging in unethical business methods. On the other hand, the packers and their friends disclaim the truth of these statements. They claim they have proofs at hand which will disprove the charges made by the commission. Again, this may or may not be true. Whether the packers have or have not unfairly dominated the industrial situation as regards the purchasing, killing, and distribution of meat and other products, and whether or not they have indulged in unethical business principles, the fact still remains that they are potentially able under present conditions to do these things and such a possibility should undoubtedly be curbed.

No man can say that it would be desirable that any industrial combination in the United States should have unrestrained power to dominate in that industry. Human nature is too frail to permit of such a risk.

However, the cure for this state of affairs does not consist, in my judgment, in applying the medicines prescribed by this bill. We are simply transferring from one set of individuals to another the identical powers and possibilities complained of. There seems to be a middle way which can be pursued and which, while taking advantage of all the past achievements of these great packing concerns, will not assume the risk of their disorganization and destruction at the hands of experimental politicians. In my judgment, the key to the solution of the problem is "governmental supervision" and not "Government control" or "Government operation" or "Government ownership" of any one of the activities set forth to be taken over by the Government under the terms of this bill.

I have been actively engaged in the raising, handling, and shipping of live stock in a large way for the past 25 or 30 years. I have developed a very large acquaintance among live stock men, extending from Texas to Oregon, and from lower California to Minnesota. During the past few years, the last two years especially, I have felt a keen interest in the questions proposed to be settled by this bill; not an academic interest but a vital interest prompted by my own personal fortune which is wrapped up in the live stock industry.

I have talked to hundreds of stockmen, producers and feeders of cattle, sheep, and hogs, and I feel safe in saying that not to exceed 1 out of 10 of these men are in favor of the provisions of this bill, nor are they in favor of Government control of any of the commercial agencies now being exercised by the packers in the handling of their products. I do find, however, among them that fully 90 per cent are in favor of "Government supervision."

Some have expressed themselves as ardent champions of the packers, who see nothing wrong with what they have done. Others feel that they have been greatly injured by the packers. Others of a philosophical turn of mind do not seem to have been disturbed one way or the other, but practically all are a unit in demanding that "Government supervision" be secured in some manner, and probably all give as one of the reasons therefor "in order that this eternal hubbub and disturbance in the meat business and these attacks against the packers, whether right or wrong, which are reflected back into our business as producers may be put a stop to." In other words, the producer wants peace.

For nearly 20 years now there has been a periodical recrudescence of this discussion. One investigation has no sooner been ended than another has been begun. In my own judgment, the present agitation has been largely the product of too much lawyers.

A committee of sane men, representative of the various classes of live stock producers, sitting down in conference with like committees selected from among the packers, and a further committee representing consumers, all sane, level-headed business men, pursuing ordinary business methods, within 90 days could have settled this whole controversy to the eminent satisfaction of the producer, the packer, and the consumer. As matters now stand, passions have been generated, criminations and recriminations have been exercised, and the main facts that are sought and the main things that are to be done have been practically lost sight of.

I am not worried about what happens to the packers except through a sense of inherent American justice, but I am deeply concerned as to the effect of the present agitation and present proposals on the live stock business, as well as the ultimate consumer.

An intelligent producer must realize that his fate is wrapped up in the attitude toward him of his ultimate consumer, and, when consumers are led constantly to believe that they are being robbed by the packers, this resentment is bound to reach back through the packer to the producer via the avenue of lessened consumption and lower prices.

So much for fundamentals and generalities. I would now like to be permitted to discuss in detail some of the proposals contained in the bill itself. These we will consider in order as they are proposed in the bill.

Those of us who are familiar with the methods of handling meat products and live stock on foot 30 or 40 years ago know that the service given by railroads was far from satisfactory. About 25 years ago I personally called upon the packers in Chicago, urging in the cause of better live stock transportation for the benefit of the producer and the bettering of market conditions that they purchase and equip additional cars independent of the railroads, not only for the transportation of live stock but for the distribution of meats after slaughter and packing. The producer felt that his best interests could be served in this way.

It has always been a difficult matter to bring even competitive railroads to understand the perishable nature of live stock and its products. This lack of understanding has been the source of constant friction and accumulation of damage suits against the railroads by the shippers of live stock. The packers, of course, were very familiar

with the perishability phase of the business and were ultimately prevailed upon as incident to their own advantage to provide the best possible equipment.

Since that time the numbers of fully equipped cars for both the handling of live stock and the finished product which have been bought or leased by the packers run up into the thousands. The use of these cars by the packers, through the railroads, has been of untold benefit to the producer of live stock as well as to the consumer.

The present bill proposes simply to take away from the packers the privilege of owning or handling cars of this nature, and for the President "to operate for the United States as common carriers, through such agency or agencies as he may designate all stock cars, refrigerator cars, and especially equipped cars acquired for the United States under the provisions of this act."

Had the bill stated that it was proposed to surround the use of such packer-owned cars with such safeguards, either through the Interstate Commerce Commission or through some other adequate agency, as would prevent their improper use for noncompetitive purposes by the packers, and had the bill further proposed to compel the railroads to furnish additional cars, both for transportation of live stock and meat, in order to increase marketing facilities, then we would have had constructive legislation which would benefit both the producer and the consumer.

Instead of this, we have a proposition to tear down a highly efficient and organized system which, as now administered, is fruitful of great benefit to the live-stock industry, and to set up in its stead a politically operated organization, the fruits of which we are utterly unable to predict. To say the least, such action would be highly experimental, and there does not seem to me to be either rhyme or reason in the proposal as now made by the bill. Adequate regulation and supervision will control any evils that may exist.

As to packer ownership of stockyards, there seems to be a division of sentiment among live-stock men. There does not seem to be such division of sentiment in the matter of opposition to Government ownership or control of stockyards. The packers themselves disclaim any desire to retain their ownership in these yards and have repeatedly stated that if thought desirable by the Government or live-stock interests they will be perfectly willing to surrender any stockyard interests that they now have. They, however, make this one proviso that guarantees of some nature should be given that service rendered by stockyards should be kept up to the present high standard of efficiency.

Here, again, in the operation of stockyards comes into play the specific knowledge inherent to the business of meat packing as to the perishability of live stock. The packer is keenly interested from selfish motives in having live stock handled with the maximum of dispatch and minimum of abuse. This, for the reason that the better the condition in which the animal goes into the slaughtering pen the better will be the meat product derived therefrom.

There can be no objection to compelling the packers to surrender their present ownerships in stockyards, but there is serious objection to the turning over of stockyards operation to any governmental agency which, from the very nature of things, must be politically controlled and subject to the same criticism as are most governmental

controlled or operated businesses. Here, again, the interests of the live-stock shipper, and the consumer as well, can be seriously injured.

There need not be much alarm over this question. The proper thing for the Government to do is to compel all stockyards to operate subject to supervision, under the provisions of which such corporations, however owned, must be operated solely and strictly with a view to efficiency and for the benefit of the producer as well as the packer himself. A bureau set up under the Secretary of Agriculture, for instance, the Bureau of Markets, can readily provide supervisory machinery to make such a law highly effective.

The ownership of stockyards does not seem to me to be material. The functions performed and the manner of performing them are vital. To substitute a new ownership for stockyards, in my judgment, would not cure anything. The new owners, whether governmental or otherwise, would have to learn all that the present owners and operators of stockyards already know, and there certainly is no good reason for such a process. Supervision or regulation is what is needed and not change of ownership.

The bill provides that the President is "authorized to acquire such cold-storage and freezing plants and warehouses, together with such adjuncts and appurtenances of the same, as he may deem necessary or appropriate to provide facilities for the operation thereof or for the storage and competitive marketing of meats or other products derived in whole or in part from live stock or from the slaughtering of live stock." And, further, it is proposed that the President may operate "for the United States through such agency or agencies as he may designate all storage facilities and marketing facilities acquired for the United States under the provisions of this act."

The chief argument advanced by the proponents of this provision is that at the present time the big packers alone are powerful and rich enough to own their own distributing and marketing facilities throughout the country, and that the small packer, being unable to provide such facilities, is, therefore, not a competitive factor in the meat business and that he is deprived of the opportunity of proper distribution of his products. This being the case, and it being the desire of the Government to help such small independent packers, and incidentally to benefit the consumer by providing additional competition, therefore it would appear that the proper procedure would be to construct or cause to be constructed additional storage, warehouse, and marketing facilities for the general use of those so desiring.

It certainly will not help anything, at the present time, to take away from the packers their branch houses and distributing agencies, which no one will deny are being operated on the highest plane of economic efficiency, and to turn these same facilities over into experimental hands.

The packers having a very large financial interest at stake and being accountable to the public for a sound and palatable product must, of necessity, give the utmost care to the handling of their meats.

The proper marketing of meats contains inherently the reward for all of the processes that have gone before in their production. The proper marketing of meat represents the efforts of the producer on the western plains and the feeder on the farms. Meat must pay

the bills to the railroads for transportation from points of production to the stockyards; it must pay the packer for his slaughtering and distribution, and it must finally be delivered to the consumer in such a condition that he is not only satisfied but keen and anxious to purchase more.

Any proposal which is made that may possibly disturb the present highly efficient methods of distributing fresh meats is fraught with danger to the producer and loss to the consumer.

There is no occasion whatever for experiment. Such constructive legislation as may be necessary is a comparatively simple matter. The provision as to governmental storage and marketing as contained in this bill, in my judgment, is utterly destructive and has no merit whatever. To provide additional marketing facilities for the smaller packers and to enlarge competition is a reasonable and desirable proposition.

Section 3 of this bill provides that "all persons, partnerships, associations, or corporations engaged in the operation in interstate commerce of stockyards or their adjuncts, appurtenances, and facilities hereinbefore enumerated, or engaged in the purchase, manufacture, storage or sale in interstate commerce of live stock or the products derived in whole or in part from live stock, or the slaughtering of live stock, shall operate exclusively under license issued by the President." This provision of the bill, if constructively administered, is a wise one, although it may be open to constitutional objection by reason of being class legislation.

Why the packer, whether large or small, and whether directly or indirectly engaged in the slaughtering of meats, should be compelled to operate under a Federal license, and other lines of business not be compelled so to do, is not entirely apparent. A bill broad enough in its provisions to authorize the President, at his discretion, and where found necessary, to compel any business in the United States operating in interstate commerce to take out a license might be a wise enactment. Under the provisions of such a bill, bureaus or commissions could be set up under the Secretary of Commerce, which would exercise supervisory powers over the packers or any other line of business.

As a producer of live stock I feel that any unreasonable restrictions or limitations which are placed upon the packer must ultimately be reflected back into the business of live stock production; as a producer of live stock I have felt that our industry owes a great debt of gratitude to the so-called great packers. They have made it possible to save and to utilize to the uttermost farthing the fullest value of our product, although we may not have received at all times our fair proportion of such savings.

We have had complaints, and still have complaints. They are not so great in my mind however, as to be only curable at the risk of utterly disorganizing and tearing apart these great meat packing industries. I feel that the bigger and the more efficient the packer is the greater will be the reward to the producer for his labor and the cheaper will meats be conveyed to the consumer.

I have no sympathy with the objections urged by many to the packers going into other lines of business. The more money they can make through their highly organized machines the less will be the overhead burden on the meat end of the business, the greater

the price received by the live-stock producer, and the cheaper the meat to the consumer. It is certainly inconsistent to urge as an argument that the packer, by dealing in canned goods or other lines of merchandise, interferes with the profits of others engaged in the same line of industry. By this process of reasoning we are striving to prove that by eliminating competition we are increasing it. The more competition we can have in this country in the manufacture and distribution of food products the better for the producer and the consumer. These are after all the chief things to be considered.

I have personally urged upon the great packers that they should go even a step further; that instead of restricting themselves to the ownership and maintenance of branch houses for wholesale distribution throughout the country, they should go into the retail business and sell meat to the public for that reasonable price at which it could be sold. Instead of this attainable reasonable price, the consumer is to-day being compelled, by our unscientific retailing system, to pay nearly twice the real value of the meat which he needs.

From the statement of Swift & Co. issued in Chicago on January 9, 1919, I find that the margin of profit for the past year in the meat departments was 2.04 per cent on the turnover, which is about $\frac{1}{2}$ cent per pound before paying taxes or interest on borrowed money. I doubt if many business concerns in the United States can make a better showing of labor so proficiently performed on so small a margin of profit. Over a period of seven years, from 1912 until 1918, Swift & Co., who are the largest slaughterers of sheep and lambs among the great packers, handled many millions of sheep and lambs at an average earning of 16.3 cents per head. We could not ask this service to be performed for any less. For the mere yardage and commission on the sale of our sheep and lambs we are paying practically as much.

Sometimes it would appear that the present bill is the outgrowth of a desire to punish the packers for past sins rather than for present delinquencies. It is undoubtedly true that 25 years ago the packers were indulging in unethical business methods. However, we must remember that at that same period American business ethics were not on the same plane as they are to-day. Other business men during those years likewise indulged in unethical practices. The awakening of public conscience during the past generation has fortunately done away with this state of affairs. In many instances legislation has made it imperative.

We have been making progress and there is no reason why we should not continue to do so, but I am firmly convinced that the methods proposed by this bill are not following the proper procedure. I consider the bill destructive rather than constructive. In the main it is socialistic rather than supervisory.

I desire to repeat that while I have not been convinced so far by the evidence presented by the Federal Trade Commission's report, such as I have been privileged to see, or from other sources, that these great concerns have been guilty of the practices with which they have been charged, yet I feel that such things can come about and that as a preventive reasonable Government supervision is necessary. Let us learn to walk before we attempt to run. If Govern-

ment supervision fails, then we can step over into Government control and finally take the fatal jump into socialism and try Government ownership.

CHICAGO, ILL., January 25, 1919.

HON. THETUS W. SIMS,
*Chairman of Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.*

DEAR SIR: We have your kind favor of January 22, suggesting that if we would furnish a typewritten statement of our position on the "Sims bill" (H. R. 13324), you would have it printed in the hearing as our statement concerning the proposed legislation.

The Independent Packing Co., of which the writer is president, is an Illinois corporation, organized March 17, 1905, with a capital stock of \$125,000, and increased from time to time, the capital stock now being \$500,000.

From its inception, the corporation has engaged in the general meat packing business and has been located during all of that time at Forty-first and Halsted streets, Chicago, within one block of the Union Stockyards, but not within the stockyards proper.

We are entirely independent packers, having no connection of any kind with the five large packers, or with any other packing organizations, the business being controlled entirely by the writer and his family.

Our business has grown constantly from the beginning, and is best shown by the increase of sales from a little over \$2,000,000 in 1906 to more than \$26,000,000 in 1918, each year having shown a substantial increase.

We conduct a general meat packing business, buying our hogs and cattle in the open market, slaughtering, cutting, and curing them in our own plant, and marketing the finished product ourselves, through our agents, brokers, and branches. We make practically all of our purchases of cattle and hogs in the Chicago market.

In our experience covering the last 13 years we have never had any difficulty whatsoever in purchasing in the open market what cattle and hogs we wanted. We purchased last year over 350,000 hogs and over 67,000 cattle in this way, and our experience since our business began has been entirely satisfactory.

The writer has had over 40 years' experience in the stockyards market in Chicago. During all of those years, he has never found conditions such as to prevent free, open and competitive purchase of live stock in the Union Stockyards. The small packer is in no way handicapped in making his purchases at the Union Stock Yards. As a matter of fact, being unhampered by the necessity of observing conditions at all other markets, and being able to secure all his requirements in one market, he has a considerable advantage over the buyer for the large packer, who is limited as to selection and restricted by the necessity of being governed by conditions all over the country, where similar purchases are being made for the benefit of his house.

It has been our experience that the existence of the large packer to-day has not interfered with the organization, operation or growth of small independent packers. This is proven not only by our own experience, but by the fact that there are at least twelve good-sized, substantial, independent packers in Chicago, all doing a large substantial business, in direct competition with the large packers. All of these independent packers have gone into business during the last fifteen to twenty years, and practically all of them have shown a substantial growth to the present time.

We are opposed to the pending bill, because in its last analysis, it means Government operation or control. With the best intentions in the world, Government operation or control cannot be separated from politics. The packing business, whether conducted by the small or the large packer, operates always on a small margin of profit, and its profit and growth are dependent entirely on efficient operation, and we believe that we are not unfair in saying that Government operation or control has never brought with it, efficient and economical administration. We believe that the small packer will be better off if the stockyards are conducted efficiently as at present, and free from politics and changes in Administrations.

We are also opposed to the bill, because present conditions at the stockyards are unobjectionable, and have never retarded the growth of the small

packer, nor prevented him from securing free and untrammelled purchases of whatever live stock he needed.

We are also opposed to the bill, because we do not believe that the steps proposed will bring about the objects claimed by those favoring the bill.

The question of refrigeration is, of course, of the utmost importance in the packing business to the small packer as well as to the large. The railroads have never been able to furnish sufficient refrigerator cars, which has forced the packer to build his own cars. This has been our own experience. We own 100 refrigerator cars, which we use for our own business, and which we purchased, simply because the railroads were unable to furnish us sufficient refrigeration. The taking over of refrigerator cars by the Government would not help us. We would again simply be at the mercy of a third party for cars, with no chance of securing any, unless the Government took them away from the large packer and gave them to us. In either case the industry suffers.

There are not now sufficient refrigerator cars for both the large and the small packers, and if any of the small packers can not afford to purchase refrigerator cars as we have, and it is the purpose of the bill to enable all small packers to be able to do their own shipping, then the correct solution would be for the Government to build refrigerator cars for the small packer, put him on the same basis with his competitor who has cars, so far as transportation and refrigeration cars are concerned.

It should be borne in mind at all times that meat products are the most perishable of all foodstuffs. Refrigeration is an absolute necessity to proper distribution, and refrigeration must be had constantly, from the time of killing until the meat reaches the retailer. This means refrigeration at the plant, refrigerator cars, and refrigeration in the branch house markets, for without proper refrigeration at every stage, the spoiling of meats will result, with a corresponding loss to that extent of meat food products. Anything, therefore, that tends to interfere, delay, or inconvenience the packer in refrigeration facilities simply means that much waste and loss, both to the packer and to the consumer. Regardless of anything else, everyone will admit that the distribution of meat products throughout the country, by the packers, both large and small, has been handled at a maximum of efficiency at all times, and this is attributable, in a large degree, to the fact that refrigeration facilities have been kept out of the hands of both the railroads and the Government.

We also direct your attention to the extreme care necessary in preparing refrigeration of cars. The mixture of salt and ice must be prepared in certain proportions, and unless the entire process is carefully handled, and provides the proper refrigeration, spoilage results. It has been our experience that with all the care and vigilance which we ourselves use in preparing this refrigeration, cars will very often arrive at their destination with the meats not quite in the best condition. The consignee immediately sets up a claim of spoliation, the packer is faced with the alternative of letting the consignee fix his own price, or if he refuses such price, spoliation continues, and ends in condemnation by the Government or municipal inspector. If, therefore, refrigeration were taken out of the hands of the packers, and placed in the hands of Governmental agencies, the danger of such conditions would be greatly magnified and the resulting loss to everybody concerned correspondingly increased. This also demonstrates the extremely perishable character of our product, the necessity for prompt sale, and disposition, and the difficulty of any agreement in advance on prices of fresh meats, under the many, varied, and changeable conditions.

The volume of profit on meats, whether handled by the large or the small packer, is very small. There is no commodity to-day which is handled on so small a margin of profit, in any line of manufacture. This has been made possible only by the fact that the by-products can be utilized by the packer in many different ways, but even by-products can not be profitably or properly handled to any great extent, unless a large volume can be created. If, therefore, the price of meat to the consumer is to be kept within reasonable bounds, and the packer continue to do business on a small margin of profit, a large volume must be handled at all times, so that the by-products may be utilized for the benefit of both packer and consumer. The tremendous volume handled by the large packers and the proportionately large volume of the small packers, if continued, will therefore be the best assurance of maximum returns to the producer of live stock, and minimum prices to the consumer.

The packing business is the most sensitive business in the world. No business requires so much capital, as live stock must be paid for immediately on purchase, in cash. No business is handled in such tremendous volume and upon so small a margin of profit. No business is handled so efficiently and economically, and no business has made a more enviable record in supplying the armies, navies, and civil population of our country and its allies, and the neutral peoples of the world during the recent emergency. Nevertheless, instead of the sympathetic cooperation, the industry has been exposed to continued agitation and attacks of governmental agencies and agitators. While these attacks have apparently been directed at the large packers, they have hurt the small packer as well. The entire industry has been kept in a continual state of ferment and uncertainty, and market conditions continually and seriously disturbed, and often on the verge of panic. The consumer also is misled, becomes prejudiced against the entire industry, the consumption of meats becomes materially reduced, and the loss falls not only on the large packer, but on the small packer and the live-stock producer as well.

Our experience as independent packers leads us to believe that the proposed bill is unwarranted and undesirable. In our opinion, the stockyards markets to-day are conducted openly, properly, and efficiently. Neither we nor any other independent packer have any difficulty whatsoever in securing our requirements at the Union Stockyards, nor have the operations of the five big packers in any way prevented, retarded, or interfered with our growth, or the growth of the other independent packers of Chicago.

We can not see that Government control or operation could improve our buying facilities at the stockyards, or could give us any better or freer competitive conditions than we now enjoy. Under the present conditions, the entire industry and the business of both the large and the small packer has reached a maximum of efficient and economical administration.

We are absolutely opposed to the bill, because it means ultimately Government control and operation, the injection of politics, and inefficiency in our business, and incalculable harm and damage, not only to the industry as a whole, but to the small packer, the producer and consumer as well.

Very truly, yours,

THE INDEPENDENT PACKING COMPANY.
By PATRICK BRENNAN,
President.

STATEMENT OF MR. OTTO V. SCHRENK, VICE PRESIDENT AND SECRETARY OF THE FOOD TRADE PUBLISHING CO.

Mr. SCHRENK. I am vice-president and secretary of the Food Trade Publishing Co., a New York corporation, which publishes a trade publication called *The National Provisioner*. I have been connected with the company for about 12 years.

The *National Provisioner* was established about 30 years ago as a trade paper to publish news and information about the meat trade throughout the United States. It has become the recognized organ of the meat trade in the United States, and also a medium of market information for other countries of the world trading with us in meats and meat products. A sizable proportion of the circulation revenues, especially up to the time of the world war, came from all over the world—the European Continent, South Africa, Australia, and New Zealand, South America, etc.

In the summary of the report of the Federal Trade Commission on the meat packing industry, which is dated July 3, 1918, there is a chart between pages 22 and 23 which is headed "Chart showing joint interests of the Big Five packers (based on stock ownership except in the case of banks and railroads, which are based on directorates)." In the right-hand column the second line from the top is *The National Provisioner*, New York.

On page 22 it is stated that The National Provisioner is included in this chart "because of the joint subsidy of \$5,000 annually from Armour & Co., Swift & Co., and Morris & Co., and on page 17 is the following statement: "One of the trade journals frequently quoted as a source of authoritative information regarding the meat industry is The National Provisioner. The editor of this journal for years received a joint subsidy of \$5,000 from Armour, Swift, and Morris."

On behalf of the Food Trade Publishing Co., which is the owner of The National Provisioner, I desire to protest against the statement of the Federal Trade Commission that The National Provisioner has received a subsidy of \$5,000 annually from Armour & Co., Swift & Co., and Morris & Co., and against the imputation that The National Provisioner is any manner owned, controlled, or even influenced by Armour, Swift, or Morris. The National Provisioner has at no time received any subsidy of any kind whatsoever from any one of these three packers, or in fact from any packer anywhere in the world. No payments have been made to The National Provisioner by these three packers or any other packer either directly or indirectly. The only payments that have been received from the packers are payments for advertisements of the packers which appeared in The National Provisioner. Payments for these advertisements were made at the regular rates charged to any one seeking the columns of The National Provisioner for this purpose. The National Provisioner is the medium of the meat trade, and as such receives advertisements from all concerns engaged in this line of business and affiliated interests.

The Food Trade Publishing Co. was organized in the latter part of the year 1899, and in the year 1900 it purchased the trade paper known as The National Provisioner. The parties who put up the money for the purchase of the paper were Joseph H. Senner, Hubert Cillis, and Julius A. May. Mr. Sanner was a newspaper man, who had just completed his term of office as Commissioner of Immigration at the port of New York. Mr. Cillis was vice-president of the Germania Life Insurance Co. Mr. May was a retired business man. Mr. Senner became president and editor of the paper. At that time these three were the only ones interested, and it was their own personal money which paid for the conduct of the business. No part of the money was obtained by any one of them from anyone connected with the meat industry.

Thereafter the business was conducted by these interests, Mr. Senner being the president and editor of the paper until his death in the year 1908. His stock in the Food Trade Publishing Co., under his will was bequeathed to his widow Henrietta Senner. In the course of years thereafter 125 shares of the stock of the company was issued to George L. McCarthy for service rendered by him as general manager of the company. About five years ago a voting trust agreement was entered into by all the stockholders. This was done as no single person had any majority of the stock and in order to secure continuity of the business on the same basis as theretofore conducted. The stockholders at that time and the number of shares held by them, were as follows:

Estate of Joseph H. Senner, 263.

Julius A. May, 167.

Hubert Cillis, 56.

George L. McCarthy, 130.

Henrietta Senner, 5.

Otto V. Schrenk, 2.

Herbert A. Heyn, 2.

All these stockholders signed a voting trust agreement under which Hubert Cillis, Herbert A. Heyn, Otto v. Schrenk and George L. McCarthy were appointed voting trustees.

Since the making of said trust agreement Julius A. May died and under his will the 167 shares held by him were bequeathed to his widow. Thereafter Herbert A. Heyn died and he bequeathed the two shares held by him to his widow. Thereafter George L. McCarthy died and bequeathed the 130 shares held by him to his widow.

Accordingly all the stock of the company is to-day held in the names of the following voting trustees: Hubert Cillis, Otto V. Schrenk, Laura B. McCarthy and Henrietta Senner, for the following persons to the extent named: Estate of Joseph H. Senner, 263; Catherine L. May, 167; Hubert Cillis, 56; Laura B. McCarthy, 130; Henrietta Senner, 5; Otto V. Schrenk, 2; Frieda S. Heyn, 2.

The shares as above set out are the absolute property of the persons named. They are not held in trust for any one else. No meat packing concern has any interest whatsoever, directly or indirectly, in the Food Trade Publishing Co. or in The National Provisioner. All profits earned by The National Provisioner are paid out and have been paid out at all times only to the stockholders in the proportion of the stock held by them.

After the death of Mr. McCarthy in June, 1918, I secured the services of Mr. Robert G. Gould as general manager of The National Provisioner. Mr. Gould was introduced to me by a personal friend of mine who is in no way connected with any of the meat packers. Mr. Gould was formerly the owner and editor of the American Food Trade Journal.

In view of the rapid developments of the meat packing industry the trade journal learned to depend to a considerable extent upon The National Provisioner to provide up-to-the-minute information on technical as well as market topics. The National Provisioner represents not only the meat packing industry but also the retail meat business.

The National Provisioner has always been entirely independent and has always represented the interests of the entire industry throughout the United States. Its income is derived solely from subscriptions and from advertisements which are published by it at standard rates. Its advertisers include packers, machinery manufacturers and allied industries.

Any payments that may have been made at any time to Mr. McCarthy, the former manager of The National Provisioner by Armour, Swift, Morris, or any other packer were not paid to him for The National Provisioner. No such payments were turned over by Mr. McCarthy to The National Provisioner at any time and it is my belief that if any such payments were made they were to reimburse Mr. McCarthy for expenses only. Unfortunately Mr. McCarthy is dead and it is therefore impossible to refute the statements of the Federal Trade Commission any more directly than by my

positive statement that The National Provisioner at no time received any subsidy from any packer.

I have personal knowledge of the foregoing facts for the past 12 years, having been actively associated with the business management of the National Provisioner as secretary and director and also as its advisory attorney. My knowledge of all prior matters is based on frequent examinations of the books and correspondence and discussion with officers of the company and with Mr. McCarthy, the former manager.

Undoubtedly the most important element of a trade paper's existence is its entire independence. Any imputation that such a paper is controlled or even influenced by any particular part of the industry strikes at the very existence of the paper. The trade generally will regard it with suspicion and gradually withdraw both advertisements and subscriptions. I must, therefore, most earnestly and emphatically protest against the unjust and unfair attack upon the reputation of the National Provisioner by the incorrect statement in the Federal Trade Commission's report that the National Provisioner is controlled by any packers or receives any subsidy from any one of them.

OMAHA, NEBR., January 9, 1919.

Congressman SIMS,

Chairman Interstate and Foreign Commerce Committee,

Washington, D. C.

DEAR SIR: As the rank and file of railroad men are not able to attend the present hearing on the situation and what to do with the railroads, I am taking this means of addressing the committee and hope it will have some bearing on the situation, which is not so complicated as it may seem. The working force of the roads in this section want the present plan continued until a fair settlement is made, and the big end of the boys here favor Government ownership in the near future. The only ones who do not are the traffic departments, who see soft berths go glimmering, the railway attorneys, and paid lobbyists at various State legislatures. Also we have our noted Senators from this State, who are opposed to anything that anyone else wants. We railroad boys don't care to express an opinion on paper about either one of the misfits. The cry of too much politics if placed under Government control is bunk. The fact that they would absolutely be out of politics is what hurts. Anyone that is familiar with Kansas, Nebraska, Missouri, Iowa, and other States out this way knows that for years the railroads and insurance companies run the legislatures and always boosted the friendly pecan for legislature or Congress that was tractable; in fact, the boys used to say, had them numbered like box cars. Under civil service politics would cut no ice; in fact, we give a tinker's d—— who is in control so long as a good pay envelope is passed along.

Furthermore, Government control and operation would stabilize wages; make a more contented set of men. You would scarcely believe the difference since the Government is operating in the morale of the men to that before. We get a run for our money now. We did not before. Now we pass to efficiency under private and under Government control and operation. Some of the private efficiencies were, to wit: The many wrecks of Missouri Pacific, the Rock Island, Frisco, the New Haven, the Erie, the C. G. W., T. & P., and others. That is a nice bunch of stuff to compare to operation of the Post Office Department. They may raise the cry, rates not high enough; neither were their operating expenses. Fuel alone was then one-half cheaper than now. Wages away lower, all material, etc.; likewise in same territory one line paying big, others at a loss. Missouri Pacific, Rock Island, Burlington, Chicago & North Western, similar lines, last two, along with A., T. & S. F., paying, the others losing; mismanagement, nothing else.

Here is the private-ownership crowing argument: Competition. There has been no competition from Chicago and St. Louis west, southwest, and northwest

for years. A time agreement has existed on time of passenger trains and number of trains between Chicago and St. Paul, Chicago and Omaha, Chicago and Pacific coast and Denver, St. Louis-Kansas City, Kansas City-Denver, Kansas City-Omaha; what equipment on trains, etc. Also a line equipment on stock, time, and dead freight. The law knocked out competition on rates. So the word "competition" was only a bluff. The only thing was, who could maintain the swellest uptown offices. Newspapers want private control. They have lost big advertising contracts, mileage books, and other favors. So if you hear a newspaper boy howling you will know what hit him.

Managers also are sore over Government control. Cut salaries, authority, and accountability to some one.

The average general manager's job in old days was seeing how low he could keep wages and fix up schemes to bulldoze the men. Might say right here they are all not working their best nor have they to make present system a success.

Now here is what could be done under full Government control and ownership. Consolidating the postal, express, telegraph, and railroad freight business under one head of transportation; make one good, big Government building in each city do the work. This could be done as necessities for new buildings arose. This would do away with the expense of handling mails from post offices to railway stations, entire elimination of the present traffic system, and force simplification of tariffs and classifications, thus reducing accounting and printing expenses, simplification of accounts, better consolidation of terminals, using of parallel lines for double track—for instance, Missouri River points to Chicago—use some lines for all through east-bound business, other all through west-bound business. The betterment of branch lines, most of which are in a very poor condition, doing away with big legal forces now kept by roads, reducing of number of operating officials, simplification of accounts. I will admit, to do all this a good many of the present operating officials would have to change their ways or fall by the wayside.

Thousands of miles can be electrified by making power right at mines instead of dragging coal hundreds of miles as at present. A saving to the State by cutting out their present railroad commissioner and utilities boards, the biggest jokes the people ever paid for.

You might lose a few off the interstate commission and not miss anything. For instance, old man Clark, who got in because he was chairman of railway conductors' organization and always mighty favorable to the railway managements. Also, why they cry competition they ask for pooling, consolidation, etc. Very consistent.

Say, what would have happened to them in a financial way if we, the people, had not taken them over and saved them from financial disaster? Did you ever go down in a railroad yard and look at some of the box cars, engines, etc., and see a little metal plate on the cars with a legend something like, "The property of such and such equipment and trust company, etc."? Ever know that these equipment companies are an inside ring of officials and stockholders making the road pay a stiff rental for equipment instead of owning it outright? I remember a lot of Santa Fe equipment, Michigan Central, Missouri Pacific, and others—that is more efficiency. Wish some of you would quietly get out among the boys in the big centers, get down to the switch shanties, local offices, round houses, and get the men's opinions. We want complete Government control and operation by McAdoo's plan for five years until we get settled down to business again. Surely we can put this over after our experiences of the war. The commission knows exactly what they are worth. Let us buy them outright and they will pay themselves out in 10 to 15 years. Hope you do not think I am nuts on this, but wanted to let you hear from one of the boys.

Yours respectfully,

F. M. SHAEFFER,
*Care Missouri Pacific Freight Depot,
Omaha, Nebr.*

THE IOWA LAND CO. (LTD.),
St. Paul, Minn., January 18, 1919.

HON. THETUS W. SIMS,
*Chairman House Committee on
Interstate and Foreign Commerce,
Washington, D. C.*

DEAR SIR: I had intended and planned to go to Washington and appear before your committee as objecting to the passage of H. R. 13324, but unluckily I am now confined to bed with an infected foot, and the doctor can give me no

encouragement that I will be able to make a trip to Washington within the limit of the time prescribed in your telegram of the 15th instant, which I duly received and for which I desire to express my thanks.

Now I have prepared into writings the statement which I intended to make before your honorable committee, and I have signed the same in and from my bed, and beg to inclose it herewith. This statement is duly sworn and subscribed to by me before a notary public, who has affixed his signature and seal thereto in verification.

I desire to have this statement read into the records just as though I were personally present, and I crave the privilege of having my request to this effect granted.

Under the circumstances, most unexpected, of my sudden illness, and but for which I would have gone to Washington and made this statement in person, I hope that you will be generous enough to grant my request and permit this, my statement, to be read into and form a part of the records in the hearing before your honorable committee of H. R. 13324.

I am dictating this from my sick bed to an amanuensis, and am directing him to sign my name and affix my signature hereto.

I remain, dear sir, yours faithfully,

KER. D. DUNLAP.
By F. J. B.

The St. Paul Union Stockyards Co. was organized in 1886 by Mr. A. B. Stickney of St. Paul, and to a large extent its original capital was furnished in England by Englishmen—the same men who have done so much to help make this western country a fit place for white men to live in and to transact business in. A site for these stockyards, consisting of about 260 acres of land lying $3\frac{1}{2}$ miles south of the city of St. Paul was purchased from the owners in that year. This land was bottom land along the Mississippi River, and was more or less low and swampy. In order to make it available for its intended use the sides of the bluffs had to be cut down or sliced off and the dirt, sand, and gravel, hauled over and across to the low land, and the latter filled up, leveled off and graded. The land intended for the stockyards proper was then platted off into lots and blocks, with streets and alleys running through them, pens were erected for cattle, sheep and hogs, and such portion of the streets as were intended for immediate use at that time were paved with brick, as were the live stock pens. A packing house was erected and also a substantial building suitable as offices for the live stock dealers and commission men, where they could settle with the farmers and shippers of live stock. All this entailed the investment of over a million dollars before a hoof of stock trod the ground—and this was merely pioneer work at that, and a million or two more had to follow in the same way—not merely above ground in additional pens, chutes, and sheds as the business grew and expanded, but below the ground in sewers, water pipes, and artesian wells.

The first packer who took hold there was Fowler, and he failed to make a success of it. Mr. Stickney then organized a concern called the Minnesota Packing & Provision Co. to operate the packing plant. The money to run the plant with was furnished largely by the same Englishmen who had their money invested in the stockyards, and they lost practically every dollar they put into the packing plant, as the M. P. & P. Co. ended in a dismal failure. I need not take up the valuable time of your committee by recounting the struggles and failures of the first 10 years of the St. Paul Stockyards Co., but will briefly state that these initial years were ones of

losses and failures. Fortunately in 1897 Mr. Stickney succeeded in interesting Mr. G. F. Swift—the founder of Swift & Co.—in the St. Paul yards, and he was induced, or inveigled, into taking hold of the hitherto unsuccessful packing plant at South St. Paul. It is hardly necessary to say that the Swifts have made a success not only of the packing plant there, but of the stockyards, and it was a lucky day for these English stockholders when Mr. Swift took hold of the enterprise. South St. Paul is now one of the chief live stock centers in the United States, ranking No. 5, and the whole success of the stockyards is due absolutely and entirely to the Swifts. Other packers are locating here now, and in a measure they are reaping where the Swifts have sown.

I can speak from an intimate knowledge of all the doings and operations of the St. Paul stockyards from their inception, as I happen to be the only one of the original group who were active in the organization of the enterprise at and since its inception—all the others are now dead—and I can say truthfully and honestly that the influence of Swift & Co. over the St. Paul stockyards has invariably and always been used, not for their own direct benefit, but for the benefit and advantage of the live-stock dealers, the farmers, and the customers and patrons of the yards. The policy which they have urged and insisted upon has been to keep the yards up in the highest state of efficiency, and to expend the surplus earnings year after year, in additions, improvements, and betterments, rather than to distribute these earnings in dividends to the stockholders. I am free to confess that this policy was not always quite satisfactory or agreeable to these minority stockholders whom I represent, and in whose behalf I am addressing you; and, furthermore, I know full well that if the policy of the stockyards in this respect had not been guided and controlled by Swifts these earnings instead of going back into the plant year by year would have been dissipated and distributed in dividends to the stockholders. Speaking from absolute knowledge, and inside knowledge, therefore, I openly acknowledge and confess that the control or influence of Swifts over the stockyards at South St. Paul, has been of immense benefit to the public, and to the patrons of the stockyards. If the stockholders had had their own way about it, or if they had not been controlled in this policy by the Swifts, they would have been richer in dividends, but it would have been at the expense of the yards. The latter would not be in the high state of efficiency in which they now are to-day but for the Swifts.

If there is any lingering thought, therefore, back in the minds of any gentlemen who are advocating this bill that the control of the stockyards by the big packers is detrimental to the interests of the general public, or to the farmers, stock raisers, cattle men, live-stock dealers, or live-stock commission men, I want to state most earnestly and emphatically, that such a thought, if it exists, is as far from the truth as the North Pole is from the South Pole, and I know what I am talking about when I say this. I say that their connection with the stockyards is more advantageous to the public interests than it is to the stockholders of the stockyards. I can say this with absolute freedom and candor, because I am in no manner, shape, or form connected with the packers, large or small—and my only interest in this bill now before your committee for consideration, is as representing the minority interest in the South St. Paul stockyards

owned and held by Englishmen. This holding amounts to \$741,300, and it is owned by some 70 Englishmen and Englishwomen—for there are 15 English women who are stockholders. I have seen reference in the public press to the "Big 5," meaning the five big packers, but I could not name who these Big 5 are. Armour & Cudahy are mere names to me, and I would not know either one, or any one, of these gentlemen if he were to walk across this room. The only packer I know is Mr. Louis F. Swift, and if the other packers are built like him, then the country is safe, and the good people of the country may sleep safe at nights and not be scared by the phrase makers and the ghost dancers. I am positive that Mr. Swift is a fair, decent, broad-minded man, and I am convinced is not a man who lies awake nights thinking up schemes whereby he can get the best of the public. He probably spends a good few hours every day, however, thinking over ways and methods by which he and his concerns can become more efficient in the service of furnishing the public with good wholesome meats and provisions at a fair price. "Efficiency" seems to be his watchword and motto.

I don't know that Mr. Swift cares very much what my opinion of him is, but it seems to me only just and proper that I should tell you all this, so that you may understand that what I am now saying to you comes from one who is only a stockyards man and not concerned or interested in any way with the meat-packing branch of the live-stock industry. Furthermore, this testimony comes from one who has been disappointed in not receiving dividends on his stock all these long weary years—dividends which certainly would have been paid but for Mr. Swift, even though the payment of them would have been hurtful to the physical upkeep and improvement of the stockyards. And this disappointment has been likewise felt by these English stockholders for whom he is speaking.

I have thought it best to tell you all of this, so as to make it clear to you that my only interest in this proposed bill is that of one who stands as the representative of foreign invested capital in the South St. Paul stockyards. This bill proposes that the Government takes over stockyards like these and operates them as a Government owned or controlled institution. Now, if in the interest of the public welfare it is deemed necessary or essential by the powers that be that my property be acquired and taken over by the State, and the State is ready and willing to pay me a just and adequate price for my property, then I have nothing to say. Remember I am only one of 110 million people, and therefore it is only fair and right that the other 109,999,999 people of this country should pay me a good price for it—especially a property of this character which takes years and years to develop and to bring up to its present state of completeness and efficiency.

You can not build up a stockyards like these inside of 25 or 30 years, and the first 10 years or so are full of vexations, tribulations, disappointments and losses. Therefore when the Government takes from me a property like this, it must pay me not merely a fair price, but a liberal and generous price. To pay less than this would be unfair. But if this bill is intended that the Government should seize my property, take it over, operate it, or control it, while my money continues to remain in it, in order that the Government may try its "prentice hand" in the operation or control of the stockyards business, as a Governmental experiment which may prove

to be a failure in two or three years, then I run the risk of having my property returned to me again in an impaired or impoverished condition. Such a course is not only unfair to me, but it is dishonest. Or after having operated the stockyards for a period of time with more or less unsuccessful results, if this bill should then give power to the Government to buy this property in its impaired state, at an inadequate price to me, then such a bill is in my humble opinion, merely a piece of high-handed dishonesty.

I may have my own opinion as to the wisdom or otherwise in what we call "the Government" undertaking the operation, regulation or control of the business enterprises of this country; but if it proposes to take my property in order to run it or to operate it, and will pay me a fair and honest price for it, I have nothing whatever to say, regardless of what my own opinions may be as to the wisdom of the step. And a fair price is not what the bare bones and hide of the property is worth, but in addition full and true value must be paid for the flesh and body and the spirit of the property, as a successful going concern. But if it is intended that it should take my property over or to control it, or regulate it, while my money continues to remain in it, or to afterwards buy it from me at a depreciated price owing to the experiment of Government operation or control having been proved to be more or less disastrous—then I certainly desire to go on record as objecting strenuously to this scheme—both on my own behalf, and on behalf of the English owners who have invested their money in the enterprise, on the self-evident ground that this course is absolutely dishonest. Lloyd George has recently stated that "No great State can be built on dishonestly." This axiom ought to be read and pondered over by a certain class of agitators in the United States who are busy trying to stampede the country into the policy of running some of the industrial enterprises by Government direction or operation, while these same enterprises represent the invested capital of part of the people. The leading Nation of the world can not remain the leader and at the same time adopt and carry into practice the doctrines of Bolshevism. "No great State can be built on dishonesty."

This and the four (4) preceding sheets are all signed by me, this 18th January, 1919.

Rev. D. DUNLOP.

All of the statements contained in the above sheet, and in the preceding four (4) sheets, are subscribed and sworn to before me this 18th day of January, 1919.

[SEAL.]

ADOLPH ANDERSON,
*Notary Public, Ramsey County, Minn.,
and residing at St. Paul, Minn.*

My commission expires October 24, 1924.

OKLAHOMA CITY, OKLA., January 11, 1919.

Hon. T. W. SIMS,
House Office, Washington, D. C.

MY DEAR MR. SIMS: I have yours of the 4th instant, and thank you very much for the invitation, but have been on my back for the past 10 days, unable to get up.

I would like very much to appear before the committee to show the control that the packers have on the live-stock industry in the United States. Oklahoma, at least the west half of it, will not raise enough pork next year to feed

the people. I question whether a man can be found in the west half of Oklahoma or the west half of Kansas that has made a cent on hogs in the last two years. This is due in a measure to shortage of grain, high price of mill feed and corn.

The Food Administration promised over a year ago that they would try to maintain for the hogs raised in 1918, a price for 100 pounds of pork equal to the average price of corn for the 10 preceding months on 13½ bushel. It has never reached that amount even at Chicago.

I have traveled over the west half of Oklahoma and Texas the past six months and find, as compared with the average number, very few cattle shipped out on account of drouth, high price of feed and, in some instances, due to the reserve banks refusing to discount cattleman's paper.

Where cattle dies, if a man is busy, he will not get enough out of it to pay for skinning and selling the hide. They are bringing from 8 to 10 cents per pound. We all know what shoes and harness are worth, or at least what they are selling for.

It is impossible under the present system for a grower of stock to sell his stock to the packers. He must ship it to some commission firm, pay the commission, pay the yardage at the stockyards, and the yards are often owned by the packers. Pay for the corn he feeds his hogs, which they charge him \$3 per bushel for; for the hay that they feed, he pays nearly three times what it is worth in the market in the same town that the stockyards are in.

They are docked every place there is an excuse to dock. He pays the freight on the dockage. It is worth at least something for soap, if it is not used for food.

I am very sorry that I don't feel able to go into detail and dictate further some of the problems that are confronting the producer of meat.

Yours very truly,

C. H. HYDE.

[Telegram.]

SEDRO WOOLLEY, WASHINGTON, January 20, 1919.

Hon. THETUS W. SIMS,

Chairman House Interstate Commerce Committee, Washington:

Farmers of Washington State unanimous in demanding report out of committee on bill to carry out Federal Trade Commission's recommendation regarding meat packing industry.

WM. BOUCK, *Master, Washington State Grange.*

[Telegram.]

MADISON, WIS., January 15, 1919.

Congressman SIMS, Washington, D. C.

Stand firm for recommendation of Federal Trade Commission regarding meat packing industry. Our society is a unit for it.

J. WELLER LONG,

Secretary Treasurer, American Society of Equity.

[Telegram.]

DETROIT, MICH., January 20, 1919.

Hon. THETUS W. SIMS,

House Interstate Commerce Committee, Washington, D. C.:

One hundred thousand farmers in Michigan, Indiana, Ohio, and Illinois ask that bill on meat packing industry be reported out. Don't let packers kill this bill in which producers and consumers are vitally interested.

GRANT SLOCUM.

[Telegram.]

MADISON, WIS., January 15, 1919.

Congressman SIMS, Washington, D. C.

Stand firm for recommendations of Federal Trade Commission regarding meat packing industry. Our society is a unit for it.

J. H. CARNAHAN,

Vice President State Union American Society of Equity.

